

This is a repository copy of *A minimum income standard for Britain : What people think*.

White Rose Research Online URL for this paper:

<https://eprints.whiterose.ac.uk/72622/>

---

## **Monograph:**

Bradshaw, J orcid.org/0000-0001-9395-6754, Middleton, S, Davis, A et al. (4 more authors) (2008) *A minimum income standard for Britain : What people think*. Research Report. (Joseph Rowntree Foundation) . Joseph Rowntree Foundation , York.

---

## **Reuse**

Items deposited in White Rose Research Online are protected by copyright, with all rights reserved unless indicated otherwise. They may be downloaded and/or printed for private study, or other acts as permitted by national copyright laws. The publisher or other rights holders may allow further reproduction and re-use of the full text version. This is indicated by the licence information on the White Rose Research Online record for the item.

## **Takedown**

If you consider content in White Rose Research Online to be in breach of UK law, please notify us by emailing [eprints@whiterose.ac.uk](mailto:eprints@whiterose.ac.uk) including the URL of the record and the reason for the withdrawal request.

## **A minimum income standard for Britain**



**Available in  
other formats**

This publication can be provided in other formats, such as large print, Braille and audio. Please contact:  
Communications, Joseph Rowntree Foundation,  
The Homestead, 40 Water End, York YO30 6WP.  
Tel: 01904 615905. Email: [info@jrf.org.uk](mailto:info@jrf.org.uk)

# **A minimum income standard for Britain**

**What people think**

**Jonathan Bradshaw, Sue Middleton, Abigail Davis,  
Nina Oldfield, Noel Smith, Linda Cusworth and  
Julie Williams**



**JOSEPH ROWNTREE  
FOUNDATION**

The **Joseph Rowntree Foundation** has supported this project as part of its programme of research and innovative development projects, which it hopes will be of value to policy-makers, practitioners and service users. The facts presented and views expressed in this report are, however, those of the authors and not necessarily those of the Foundation.

Joseph Rowntree Foundation, The Homestead, 40 Water End, York YO30 6WP  
Website: [www.jrf.org.uk](http://www.jrf.org.uk)

### **About the authors**

Jonathan Bradshaw is a Professor in the Department of Social Policy and Social Work, University of York.

Sue Middleton, Abigail Davis and Noel Smith are based at the Centre for Research in Social Policy, Loughborough University.

Nina Oldfield is based in the Family Budget Unit.

Linda Cusworth is based in the Social Policy Research Unit, University of York.

Julie Williams was based in the Social Research Unit, University of York.

© Loughborough University, 2008

First published 2008 by the Joseph Rowntree Foundation

All rights reserved. Reproduction of this report by photocopying or electronic means for non-commercial purposes is permitted. Otherwise, no part of this report may be reproduced, adapted, stored in a retrieval system or transmitted by any means, electronic, mechanical, photocopying, or otherwise without the prior written permission of the Joseph Rowntree Foundation.

ISBN: 978 1 85935 657 9

A CIP catalogue record for this report is available from the British Library.

Prepared and printed by:

York Publishing Services Ltd

64 Hallfield Road

Layerthorpe

York YO31 7ZQ

Tel: 01904 430033; Fax: 01904 430868; Website: [www.yps-publishing.co.uk](http://www.yps-publishing.co.uk)

Further copies of this report, or any other JRF publication, can be obtained from the JRF website ([www.jrf.org.uk/bookshop/](http://www.jrf.org.uk/bookshop/)).

# Contents

<b>Acknowledgements</b>	vi
<b>1 Introduction</b>	1
Blending methods	3
What do we mean by ‘minimum’?	3
Policy relevance	4
Outline of this report	5
<b>2 Methods</b>	6
Group composition	6
Research stages	8
<b>3 Rationale underpinning the budgets</b>	13
Acceptable minimum	13
A nationwide MIS	15
Standard needs	16
Budget areas	17
<b>4 Minimum income standards for selected family types</b>	25
Comparisons of MIS and actual expenditure	28
Single adult of working age	31
Pensioner couple	32
Couple plus two children	33
Lone parent plus one child	34
Income needed to reach MIS	35
Discussion	38
<b>5 A new equivalence scale</b>	39
Conclusion	41
<b>6 The future: uprating and rebasing</b>	42
Background	42
Uprating	43
Rebasing	45
Conclusion	46
<b>7 MIS in practice</b>	47
Strength of consensus	47
MIS applications	48
Future work	50
A new standard for a fairer Britain	52
<b>Notes</b>	53
<b>References</b>	55

# Acknowledgements

The project team wishes to express its great gratitude to all those who participated in the MIS groups and embraced the responsibility for constructing a minimum income standard with such conscientiousness and verve. Thanks too go to the Project Advisory Group members who, through their expertise and constructive criticism, helped steer the project. The advisory group included:

- Laura Adelman, Child Poverty Unit;
- Christopher Deeming, University of Bristol;
- Eileen Devaney, UK Coalition Against Poverty;
- Aidan Grisewood, Scottish Government;
- Michael Harmer, Welsh Assembly Government;
- Deborah Littman, UNISON;
- Sonia Sodha, Institute for Public Policy Research;
- Professor John Veit-Wilson, Newcastle University; and
- Professor Robert Walker, University of Oxford.

Additional, specific expertise was provided by a number of people including nutritionist Sian Burr, Bill Wilkinson of the Energy Audit Company, and Brian Jardine of the JRF Housing Department. We acknowledge the contribution of those at the University of York who were responsible for developing the MIS ready reckoner programme, including Professor Steve Wilcox, Centre for Housing Policy, and Steven Ramsey, Department of Computer Sciences. We also acknowledge the work of Karen Kellard and BMG Research in co-ordinating the recruitment of focus groups. We are thankful to Professor Alan France, Jacqueline Beckhelling, Nicola Selby and others at CRSP for their invaluable assistance with the project. Thanks are due too all those who participated in the original launch conference for the project for ideas and advice which proved useful throughout the work. Finally, the team wishes to mark its appreciation to the JRF, and particularly Chris Goulden and Donald Hirsch, who have been instrumental in every step of the project, from nurturing initial thinking about a new MIS for Britain to commenting on the final report.

# 1 Introduction

A minimum standard of living in Britain today includes, but is more than just, food, clothes and shelter. It is about having what you need in order to have the opportunities and choices necessary to participate in society. (MIS groups' definition of acceptable minimum)

This report presents a minimum income standard (MIS) for Britain. It seeks to provide an answer to the question 'What level of income is needed to allow a minimum acceptable standard of living?'. This MIS has been derived by combining methodologies developed by the Centre for Research in Social Policy (CRSP) at Loughborough University and the Family Budget Unit (FBU) at the University of York. To date, Britain has never had such a standard and current debates about eradicating child poverty and reducing pensioner poverty suffer from the absence of a socially agreed, empirically based MIS. Politicians from all parties are committed to addressing relative poverty – with the Government seeking to eradicate child poverty, defined in relative terms, by 2020. Yet this debate is going on without a robust definition of a minimum standard below which we do not wish people's incomes to fall.

Poverty is currently being measured in three main ways, but none of these is producing a socially agreed minimum standard.

1. *Relative income measures*, especially the widely used 60 per cent of median equivalent income, allow changes to be tracked annually. However, this arbitrary measure is not a standard rooted in a considered view of what people need to live on. The weightings for family members ('equivalence scales') are also arbitrary.
2. *Measures of deprivation* allow calculations of how many people are in poverty in the sense that they cannot afford what most people regard as necessities. The Joseph Rowntree Foundation (JRF) has previously supported work in this area, notably the 'Breadline Britain' and 'Poverty and Social Exclusion' series, and the 'Small Fortunes' survey. However, deprivation measures tell us how deprivation is associated with low income but not what level of income people need to avoid poverty.<sup>1</sup>
3. *Budget standards* define minimum acceptable incomes by calculating what is needed to afford an acceptable living standard. In general, budget standards are based on costed lists of items deemed as essential (baskets of goods and services). These have been widely used internationally (for an excellent historical



review see Fisher, 2007). Many European countries have officially accepted assessments of incomes needed for an adequate standard of living as a guide to social security policy but not a determinant (Veit-Wilson, 1998). In some cases, such as Sweden and Norway, this involves budget standards drawn up by official boards and used as guides for local authorities when setting social assistance levels. In Australia, recent detailed budget standards drawn up by researchers have actively informed the setting of, among other things, minimum wage rates and housing benefits (Saunders *et al.*, 2004). In Jersey, budget standards have been used to inform the development of a new means-tested income support system (Middleton and Roberts, 2004).

The main such standards in Britain have been published by the Family Budget Unit (FBU) (which was established with the support of the Joseph Rowntree Foundation in 1985) (Bradshaw, 1993; Parker 1998, 2000). But, while these 'low cost but acceptable' budgets have been uprated in line with rising prices (to April 2006) for a limited range of family types, they have not been properly rebased to reflect changing social norms since 1998/99.

CRSP had also developed a methodology for calculating 'consensual' budget standards involving members of the public in reaching agreement (consensus) about what people need as a minimum and drawing up budgets to meet those needs. While the consensual budget standards (CBS) approach has not been applied to the general population in Britain, it has been used to assess the costs of bringing up children (Middleton *et al.*, 1994); children with severe disabilities (Dobson and Middleton, 1998); in Jersey to produce budget standards for all household types (Hartfree *et al.*, 2001; Middleton, 2001); and most recently in Britain to develop budget standards for disabled adults (Smith *et al.*, 2004). Comparable focus group approaches have been used elsewhere to develop minimum standards, such as the New Zealand Poverty Measurement Project (Waldegrave *et al.*, 1996; Stephens, 2000) and the work of the Vincentian Partnership in Ireland (MacMahon *et al.*, 2006).

A further approach – the minimum income for healthy living (MIHL) budget standard – was developed at the London School of Hygiene and Tropical Medicine for single young people and for older people, with a particular focus on nutrition and exercise. The MIHL's methods, particularly on nutrition, overlap greatly with the FBU approach (Morris and Deeming, 2004; Deeming, 2005; Morris *et al.*, 2005).

## Blending methods

The aim of the project was to develop a minimum income standard blending the best elements of the two main methodologies that have been used to develop budget standards in Britain in recent years. The FBU approach has used documented guidance, expert opinion and statistics to determine what items should be included in the budget to achieve a given living standard, informed by recognised standards (e.g. nutritional and heating standards), subject experts (e.g. dieticians), consumer surveys, manufacturers' evidence (e.g. about product lifespans), and expenditure and consumption data. The consensual budget standards (CBS) method developed over the last decade at CRSP takes a similar approach to the FBU, but, instead of panels of professional experts, ordinary people representing different family or household types were brought together to form budget standards committees considering minimum needs. The rationale for this is that people living in a particular household type are best placed to construct a budget for such a household. The CBS approach assumes that, for society to agree a particular minimum standard of living, there needs to be informed negotiation and agreement about what constitutes a minimum, via a derivative of focus group methodology.

Blending the methodologies allows the views of experts to be reconciled with those of ordinary people and, correspondingly, allows budgets based on social consensus to be tested against expert knowledge and research. The present project has addressed this by holding 'consensual' discussions among ordinary people to set the budgets, informed at successive stages by feedback from experts.

## What do we mean by 'minimum'?

The standard specifies an income sufficient to reach a minimum acceptable standard of living – a standard that social policy should aspire for everyone to meet. The standard is rooted in social consensus about the goods and services that everyone in modern Britain should be able to afford, while at the same time drawing on expert knowledge about basic living requirements and actual expenditure patterns.

Ordinary people, through group discussion, define the minimum. As will be seen, their definitions go beyond having enough food, warmth and shelter. They include having sufficient resources to participate in society and to maintain human dignity, consuming those goods and services regarded as essential in Britain today. However, the minimum seeks to exclude items that may be regarded as 'aspirational' – it is about fulfilling *needs* and not *wants*.

In specifying an MIS, it is important to acknowledge that not everybody's needs are the same, even within a single household type. Many features of an individual's life may create additional needs, such as living in a very remote area, having an impairment or living in a particularly expensive neighbourhood. Thus a national 'minimum' does not create an acceptable living standard for *every* individual, but it does suggest a level that is socially unacceptable for *any* individual to live below. Given that public policy in many areas does not currently acknowledge additional needs, it would be valuable for future research on the extra needs of particular groups to build on the baseline established in this project.

The budgets reported here are based on research in Britain, with fieldwork taking place mostly in the Midlands but also in Scotland, Wales and London. There is also a case for undertaking similar work in Northern Ireland. We have not taken into account the extra needs of disabled people in this research (though Smith *et al.*, 2004 have used CBS methods to explore these).

### Policy relevance

The project has established a minimum income standard for a range of types of family. These can now be used as benchmarks for benefits, tax credits, foster care allowances; and to assess the affordability of housing, minimum/'living' wages, income-based charges and penalties, and for many other purposes. The MIS has also been used in this project to test the validity of existing equivalence scales, the weightings for family size used in research and statistics on income poverty.

It is intended that the results will have direct policy relevance by contributing to debates and discussions about poverty in Britain and, hence, informing the development of policy designed to combat it. We believe that the availability of robust minimum income standards will represent a substantial step forward in current debates about poverty. It will not replace other measures, but will help to 'ground' them in an informed estimate of how much income households need to avoid hardship.

The MIS budgets are being made available online ([www.minimumincomestandard.org](http://www.minimumincomestandard.org)) and, it is planned, will be uprated each year and from time to time rebased to take account of changes in living standards.

## Outline of this report

The next chapter presents a description of the methodology used and how the consensual and expert judgements were merged.

Chapter 3 details the judgements and assumptions underlying the budgets.

Chapter 4 presents the budgets for four of the family types that MIS budgets have been derived for (the rest are being made available online). Also included is a comparison of the budgets, with average expenditure rates based on an analysis of the Expenditure and Food Survey, and calculations of the income required to achieve the MIS.

Chapter 5 compares the MIS for different family types and contrasts them with equivalence scales currently used in estimates of income poverty.

Chapter 6 presents our rationale for a method for uprating and rebasing the MIS.

Chapter 7 concludes the report with suggestions of how the MIS could be used and what further research is needed.

## 2 Methods

This chapter explains how the minimum income standard budgets were developed. Five stages of discussion groups with the general public were held, as shown in Figure 1, with each stage directly informing the development of the next. At various points in the process before and after these ‘general public’ groups, ‘expert professionals’ provided input and guidance to specific areas of the budgets.

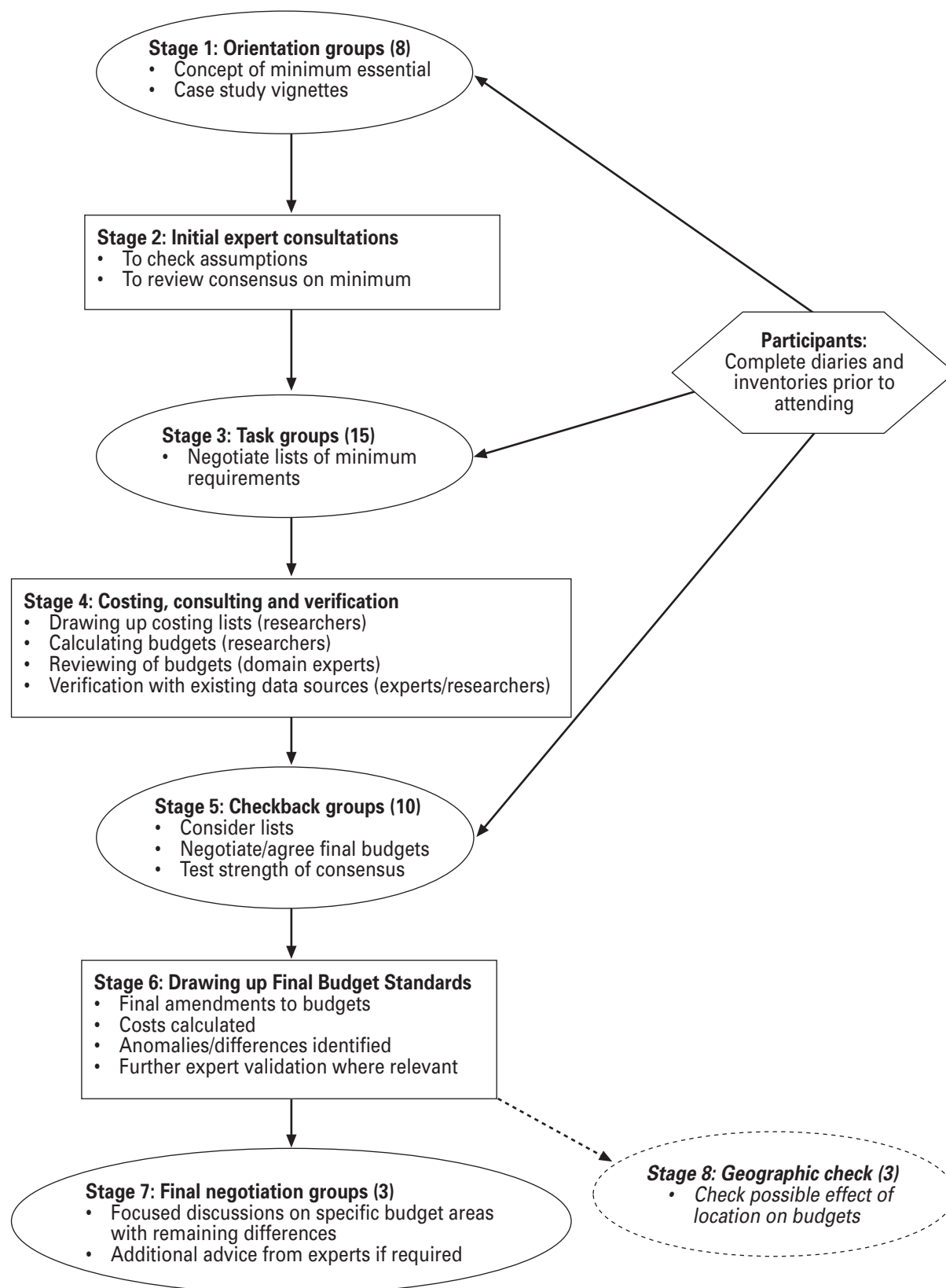
Each stage is described in more detail below.

### Group composition

The main research was based in a range of towns and cities in the Midlands. Participants were recruited and groups held in Northampton, Derby, Kidderminster, Leicester and Loughborough.

Most groups consisted of six to eight participants, drawn from the family and individual types under discussion in each case. Thus, the budget for single female pensioners was developed by groups of single female pensioners, lone parents’ budgets by lone parents, and so on. Participants were purposively selected to ensure a mixture of socio-economic circumstances. Whereas other budget standards work has involved consultation with groups of people on low incomes (Bradshaw, 1993; Waldegrave *et al.*, 1996; Parker, 1998, 2000), the MIS methodology recognises that individuals draw on their own experiences. So, if only those used to managing (or struggling) on a low income are consulted, this may artificially limit the scope or content of the lists of items, activities and services that are deemed ‘essential’. As the budgets are intended to be suitable for a general population, not just for ‘the poor’, they need to be grounded in as wide a consensus as resources allow.

Figure 1 Minimum income standard research stages



Numbers in brackets are the number of groups held in that stage.

### Research stages

#### Stage 1: orientation groups

The two main aims of the orientation group stage were to discuss and agree a definition of ‘acceptable minimum’ to be used in the following group stages, and to develop and agree case study vignettes.

#### Stage 2: initial expert consultation

The research team looked at what the groups had said about the concept of ‘minimum’ (see Chapter 3) and consulted experts on the project advisory group. From these discussions, the team developed a working definition of the concept of a minimum acceptable standard of living to use in the next stages of groups.

The orientation group participants were asked to create case study vignettes. They did this by discussing and agreeing on a hypothetical person who would act as a representation of someone in their category (e.g. lone parent/partnered pensioner). The research team then finalised the case studies in consultation with the project advisory group. These were used in the subsequent stages of the research to help groups focus their discussion on the minimum needs of the case study individual, rather than their own circumstances or preferences.

#### Stage 3: task groups

The task groups were held as day-long workshops. Participants went through each area of the budget to discuss and agree the essential list of items and services that were needed by the relevant case study individual, in order for him/her to have a minimum acceptable standard of living. An important task of the moderator in this context was to remind participants continually that they were defining needs and not wants – that this was for a minimum and not an aspirational budget. Participants constantly negotiated with each other over which items should be included, what constituted an essential and what was luxury, what quality items should be and how long they should last. Consensus was reached quickly on the majority of items, but others led to much more in-depth discussion. Often, quite passionate arguments ensued until the whole group was satisfied that it had reached the level of provision that constituted an acceptable minimum. Groups took on a sense of responsibility for

deciding what constituted minimum acceptable budgets, and they themselves often took the lead in challenging and negotiating with each other in the course of finding consensus about minimum standards.

The facilitators used a projection technique, inviting participants to 'walk round' the case study individual's home and list all the items that would be needed within it. Discussions included agreeing the quantity of each item, how long goods would last ('replacement' or 'consumption' rate), whether the item should be new or second-hand, and at which retailer the item should be costed. Participants were also 'walked' beyond the home and asked to consider the case study individual's needs in terms of transport, health care and social and cultural participation. Discussions here tended to focus on the annual or weekly cash amounts required to meet these needs.

Some areas of the budgets were discussed rather differently. When talking about diet, moderators helped participants to construct a sample menu, outlining the basic food and drink required for one day, then recording suggested alternatives for each meal/snack and asking about variations between weekend and weekday eating patterns.

The task groups discussed heating requirements for the case study individuals, in terms of temperature settings, heating periods, fuel types, fuel providers and insulation levels.

Each task workshop created a list of consensually agreed minimum needs for each budget area, with notes made of any items or areas for which the group were unable to reach agreement to be followed up at subsequent stages.

Finally, the participants reviewed the lists in their entirety and reflected on whether there were any areas of the budget that they felt were too restrictive or too generous to be in line with their judgements about the provision of a 'minimum'.

The design initially produced a set of budget standards for *individuals*:

1. single female adults no children;
2. single male adults no children;
3. partnered female adults no children;
4. partnered male adults no children;



5. partnered female adults with children;
6. partnered male adults with children;
7. lone parents;
8. single female pensioners;
9. single male pensioners;
10. partnered female pensioners;
11. partnered male pensioners;
12. toddler;\*
13. pre-school child;\*
14. primary school aged child;\*
15. secondary school aged child.\*

\* These budgets were developed by groups of parents with children of appropriate ages.

### **Stage 4: costing, consulting and verification**

The research team compiled the lists of items, allocated lifetimes and costed them at outlets agreed by the groups. Costs for fuel and food were calculated under the advice of relevant experts. Details about how the different budget areas were costed are discussed in the section on budget areas in Chapter 3.

### **Stage 5: the checkback groups**

Ten checkback groups came together to scrutinise the costed budgets. These groups were similar in composition to the task groups but some were used to check more than one budget (e.g. a mixed group of single men and women checking the budgets for both single males and single females).

Participants discussed the lists compiled by the task groups alongside comments by the experts on the food and fuel components of the budgets. The researchers asked them to examine the lists to see if anything should be added or removed in order to meet the requirements of a minimum acceptable standard of living as outlined by the working definition. Where possible, researchers made any changes to the budget spreadsheets during the sessions. This enabled them to feed back the costs of items/budget areas before and after the changes. Participants were then able to consider, in the light of this information, whether they thought the 'minimum' they had allowed for was too high or too low and whether they wished to change the lists. Any additional changes were noted and the budgets revised accordingly.

For the food component of the budget, the checkback groups were asked whether they agreed with the minor changes proposed by the nutritionist and, on the whole, these were accepted. They also informed groups of the fuel expert's recommendations for heating levels and the costs of these, which were universally accepted as being appropriate.

Finally, participants were asked to consider the implications of the budgets in a national context. Specifically, they were asked whether and how they might amend the budgets if they were told that the Government was unable to raise incomes to the level of the standards. Without exception, participants argued strongly that people would not be able to have the minimum acceptable standard of living if the budgets were cut.

### **Stage 6: combining budgets for family types**

Following the checkback groups, the budgets were revised as required. Where appropriate, budgets for individuals were combined to produce budget standards for family types, using decisions made by groups about economies of scale. For example, these included the 'savings' associated with having a second child compared to the first through the reuse of items such as prams, clothes, etc. These decisions were based on participants' own experiences of how such economies are achieved in practice.

At the same time, expert evidence was taken into account about economies of scale for fuel and food costs. Individual case study menus were combined into family unit menus and the shopping baskets were adjusted to avoid overbuying and to take into account preparation waste.

### **Stage 7: final negotiation stage**

Researchers then checked the budgets to address final unresolved issues in costing the budgets and anomalies in budget patterns. The relationship between the MIS budgets and spending patterns as shown in existing expenditure data (from the Expenditure and Food Survey) was also critically considered at this point.

Three groups, which were drawn from participants from previous stages to ensure that those taking part were fully conversant with the approach and aims of the exercise, were held. These groups were as follows.

- Single and partnered pensioners, who examined the budgets for a single pensioner and a pensioner couple.
- Single and partnered working-age adults, who assessed the budgets for a single working-age adult and a working-age adult couple.
- Lone and partnered parents, who considered the budgets for three family types: a lone parent with a toddler; a couple with a pre-school and a primary school aged child; and a couple with a pre-school, a primary school and a secondary school aged child.

The final groups were given information about the costs of the budgets, by budget area. They were asked to look at anomalies in budget patterns – for example, if there were marked differences in particular budget areas between the budget for a lone parent and that for a mother in a couple. They were also asked to consider points at which the MIS budgets contrasted notably with average expenditure (focusing on whether particular budget areas were relatively higher or lower, rather than on the amount of that difference). In these cases, groups were required to either provide a rationale to explain differences or to revise the relevant budget areas. Groups then reflected on the total budget costs and consensus was tested again, with the groups being challenged to consider if they could reduce the budgets and yet retain acceptable minimum provision.

### **Stage 8: geographic check**

A series of three further groups and desk-based price checking were undertaken to test the validity of the budgets for Britain, and to ‘map out’ how needs and costs might vary between inner-city and rural households. This exercise is discussed in the next chapter.

### 3 Rationale underpinning the budgets

Each minimum income standard budget is the sum of hundreds of costed items and allowances for activities and services. Detailed spreadsheets for a selection of the budgets are available on the MIS website, but it is also important to provide a commentary about the judgements and assumptions underpinning the construction of the budgets. This chapter begins with consideration of the concept of the 'acceptable minimum' and how this concept was operationalised to guide decision-making in the groups. We then look at the 'coverage' of the budgets across Britain and in terms of different households' needs. Finally, we examine the different commodity categories in the budgets, discussing the assumptions, 'rules' and models used to determine the selection of items or the calculation of costs.

#### Acceptable minimum

The concept of the 'acceptable minimum' is at the heart of the project. Defining this was the main task of the eight orientation groups. To stimulate discussion, each of these groups was asked to comment on two different descriptions of criteria for a minimum standard of living, which had been selected following discussions with the project's advisory group. One was an extract from the United Nations Convention on Human Rights, defining the minimum as 'things which are necessary for a person's physical, mental, spiritual, moral and social well-being'. The second was a description of what the US Expert Committee on Family Budget Revisions (Watts, 1980, p.viii) called the Prevailing Family Standard:

One that affords full opportunity to participate in contemporary society and the basic options it offers. It is moderate in the sense of laying both above the requirements of survival and decency and well below levels of luxury as generally understood.

All of the groups perceived the acceptable minimum as being beyond 'survival' requirements for food, shelter and clothing. As one of the older women in the orientation phase asserted, 'food and shelter keeps you alive, it doesn't make you live'. Education and health care were key to minimum provision. Moreover, participants argued for the means for social participation – the ability to engage in activities and social networks outside the home. Social participation was seen as being key to emotional well-being and mental health, and included, for example, social and cultural participation activities, informal support networks and employment

for those who could work. It could also be said to include being 'socially acceptable' in terms of self-presentation – whether in appearance, when inviting people to one's home or being able to engage in the types of activities undertaken by peers. 'Choice' was another common theme – as a minimum, people should be able to have some choice over what they eat, wear and do. Underlying all these discussions was an assumption that an acceptable minimum standard should be able to support sustained levels of well-being over time:

Isn't it a case that all those extra bits are for the well-being of the individual? Rather than being – keeping them alive – it is that degree of comfort that they can function and continue to function and effectively grow and mature. Health, education, that is all part of going on. The ability to move is also going on. Because life itself is a journey, so therefore there has got to be a sense of progression within it and, if you have only the absolute minimum living standards, you don't progress, you survive.  
(Man, partnered parents group)

Drawing on common themes arising during the orientation groups, the research team prepared and presented a draft definition of the acceptable minimum to the project advisory group. After debate, the following working definition was agreed for use with subsequent groups.

A minimum standard of living in Britain today includes, but is more than just, food, clothes and shelter. It is about having what you need in order to have the opportunities and choices necessary to participate in society.

All participants were asked to consider this definition at the beginning of each subsequent group. A number of elements were examined and clarified in the course of these discussions.

- Some groups recognised the fact that living standards vary from country to country and that they change over time. However, the definition called for them to focus their judgements on what they believed was an acceptable minimum standard of living in Britain today.
- At the start of sessions, some participants queried whether the budgets would be for people in work or those unemployed, on the basis that the former would or should expect a higher living standard. Referring back to the definition, this provided the opportunity to remind groups to differentiate between 'needs' and 'wants'. The budgets are meant to meet the minimum essential needs everyone has, independent of income.

- In the course of the sessions, when trying to specify what items needed to be included for the budgets, some participants pointed out that what people consume can vary infinitely depending on personal preference. The definition offered a way forward here too. The groups could not take account of how people might actually spend budgets. Instead, what the groups were tasked with was to allow sufficient provision so that people have what they need in order to have the requisite opportunities and choices.

## A nationwide MIS

The budgets developed in this project represent a minimum income standard for England, Scotland and Wales. Although the budgets are based on group work undertaken in the English Midlands, measures have been taken to check their relevance across Britain.

The project convened groups in inner London, Scotland and Wales in order to consider the concept of the acceptable minimum and the areas of need covered by the budgets. In terms of the former, these groups reviewed the approach of the MIS methodology and were asked to consider and develop the meaning of the acceptable minimum standard using the same process as that designed for the orientation groups. Participants' understanding resonated with the definition developed and used by groups when constructing the budgets. That is, there was consensus that the acceptable minimum should provide more than just the means of survival, and should support emotional well-being through permitting some degree of choice and the resources required to enable social participation. In terms of areas of need, the groups were taken through the various types of household living expenses for which budgets have been allowed (see below). In all cases, the groups neither rejected existing categories nor added new ones.

In addition to looking at the concepts and categories developed in the English groups, the project considered regional variation of costs. Housing stood out as the main commodity for which costs vary widely (ONS, 2008). Childcare costs may also vary considerably across the country (Daycare Trust, 2008). This underlines the importance of presenting the MIS budgets excluding housing costs and childcare, so that these can be added as variable costs for real households. However, in terms of other costs, the project can confirm a good level of consistency of prices used in the budgets across England, Scotland and Wales. At least 90 per cent of the items in the budgets were costed at national chain stores specified by participants, including, for example, Tesco, Argos, Matalan, Primark and Wilkinsons. Desk-based

research found that most of these chain stores have branches throughout mainland Britain (with the exception of Wilkinsons, which does not have stores in Scotland) and operate national pricing policies (with the possible exception of the smaller Tesco Express and Metro shops).<sup>1</sup>

### Standard needs

The project recognises that a single minimum income standard cannot, by definition, take account of the diversity of people's needs. Rather, it provides the basic or default minimum standard, below which it is unacceptable for anyone to have to live. It is important then to outline what 'standard needs' the MIS budgets are designed to meet.

- *Household composition:* different MIS budgets have been constructed for pensioner households, working-age households without children, and lone-parent and coupled parent families with a selected range of number and ages of children.
- *Employment status:* for families with children, the budgets are shown with and without provision for childcare. All budgets include provision for transport and, of course, costs for clothes, food, etc. Beyond this general provision, some people in work may face additional costs associated with certain jobs, such as additional travel expenses or for workwear or tools, which are not included in the MIS budgets. These costs are likely to vary widely.
- *Disability:* the budgets are set on the assumption that no household members are disabled. It is likely that disabled people have additional costs (Smith *et al.*, 2004).
- *Health:* the budgets assume that household members have no special health or dietary needs.
- *Ethnicity:* groups included white and black and minority ethnic participants. However, the budgets do not claim to be sensitive to ethnic diversity. Previous work by the Family Budget Unit suggests that household needs (for example, dietary needs) may vary for some minority ethnic groups (Oldfield *et al.*, 2001).
- *Accessibility:* the budgets are set for households with reasonable access by public transport to employment opportunities, shops and key services. Participants in a number of groups – and particularly those in the Scottish and Welsh groups, which had been drawn deliberately from rural areas for this



purpose – highlighted that household costs in rural areas are likely to be different to those in urban areas. The MIS budgets assume that people's minimum transport needs can be met in the main by public transport. However, for many rural households, the same level of access to opportunities and services can only be achieved through use of a car and a sufficient allowance for fuel. The MIS budgets also assume that having a personal computer and internet access is only essential in households with a secondary school child (for educational purposes). However, it was argued in groups that there is an increasing reliance on the internet among rural households, generally in order to access information, goods and services.

## **Budget areas**

This section discusses the different budget areas, and outlines the judgements and assumptions agreed with participants for determining how living costs were calculated.

### **Food and alcohol**

The groups constructed detailed menus for different household types, negotiating among themselves to create diets that were reasonably healthy, practical in terms of lifestyle, and realistic in terms of preferences and treats.

Using a software programme,<sup>2</sup> a nutritionist examined these weekly menus to ensure that they met the current government guidelines for healthy eating (Department of Health, 1991), and were nutritionally adequate. Some menus needed no changes, while the content of others required minor alteration. This most commonly involved increasing the number of portions of fruit and vegetables. The menus were then elaborated to specify portion sizes and quantities, calculated on the assumption that case study individuals had average activity rates/energy use.

The nutritionist converted the menus into 'food baskets' – shopping lists of all the ingredients needed for the menus – taking into account possible food waste. These lists were then costed in-store at Tesco's supermarket. Groups specified the quality and brand of items required, involving a mixture of Tesco Value range items, Tesco own brands and named brands. Where the budgets allowed provision for eating out, the food involved was included in the test for nutritional adequacy in place of food bought at the supermarket. Where the budgets allowed provision for alcohol, this was taken into account in terms of the calorific/nutritional value of the diet as a whole.



Developing individual, nutritionally adequate, case study menus made it possible to devise family menus at a later stage, by combining the food baskets for the relevant group of individuals.

The groups agreed that all budgets should include some alcohol consumed at home but not all outside the home. The alcohol was included in the assessment of the nutritional adequacy of the diet.

### **Tobacco**

The groups did not view provision for cigarettes as a socially acceptable minimum need and so did not allow a budget for tobacco.

### **Clothing**

As determined by participants' specifications about quality and age appropriateness, clothes were costed at a range of retailers: Tesco, Primark, Matalan, Next, Topshop and Marks and Spencers.

### **Lifespans and weekly costs**

#### *Lifespans*

All items in the budget were given a lifespan, decided by groups based on their experience of how long particular items lasted before needing to be replaced. These decisions were mediated by different factors including the following.

- Quality of item: lower quality, cheaper goods often wear out faster than higher quality, more expensive goods.
- Number of items: having more of a particular item (for example, socks) means that they are used less often and so last longer.
- Conditions of use: items' lifespans depend on how carefully they are used and for how long they are needed. For example, clothes have a shorter lifespan for children than for adults because of increased wear and tear and the fact that children will grow out of them. Some furniture in a household with children was not given as long a lifespan as the same items in pensioner households.

*(Continued)*

### *Weekly costs*

In practice, some items in the budgets – such as clothes, household goods and dental treatments – are bought outright and not paid for weekly. However, in the MIS budgets, the costs for such items are spread so that the budgets include their weekly costs. To do this, the whole cost is divided by the number of weeks it is expected to last. For example, the cost of a shirt – which will need to be replaced on an annual basis – would be divided by 52 and this amount included in the weekly clothes budget.

### **Council tax**

Figures for council tax are based on charges made on appropriate-sized dwellings in Loughborough.

### **Household insurance**

Figures for contents insurance are based on actual examples of policies for dwellings in Loughborough.

### **Fuel**

Groups discussed households' heating needs in terms of, for example, the times of day and times of year when dwellings would need to be heated. Heating costs had to meet a minimum requirement to maintain the health and well-being of the householders, and the fabric of the home. The dwellings selected had cavity wall insulation, double-glazed windows and efficient gas heating systems with modern boilers fitted within the last nine years.

The fuel expert provided information about how much it would cost to keep the case studies' homes heated at a level that would maintain the fabric of the dwelling in good condition and so not compromise the health of the occupants.<sup>3</sup> Many of the heating regimes proposed by groups were lower than this, so a decision was made to standardise the fuel specifications.

Fuel costs were calculated from Scottish Power's April 2008 prices. This provider was selected as having neither the highest nor the lowest, and also the least fluctuating prices in England and Wales, compared to other companies, for a direct debit dual fuel payment.

### **Housing costs**

Housing costs are separated out in the budgets discussed in Chapter 4 and need to be treated as a variable cost. Where figures for housing costs are used, they refer to local authority rent and water rates for appropriate-sized dwellings in Loughborough.

### **Other housing costs**

In rented social housing, major household maintenance and decoration would be the responsibility of landlords. As an extension of this principle, and as participants struggled to agree a grounded example of costs in this case, groups agreed that the same amount should be allowed as average expenditure on household maintenance by comparable households in social housing (based on Expenditure and Food Survey data).

### **Household goods**

Items were priced as if bought from a wide range of retailers, most commonly Argos, Wilkinsons, Tesco, DFS, Dunelm Mill and Currys. The quality, type, number and lifespan of items was negotiated within groups. The budgets assume that accommodation is provided with fixtures and fittings, and the groups allowed for all other household items, including lampshades and light bulbs, carpets and curtains, kitchen appliances, and all furniture, cooking utensils, crockery, electrical devices, textiles, etc. Flooring costs were calculated on the basis of the dimensions specified for different housing types.

### **Housing types**

The selection of housing types used in the project determined some of the costs in a number of budget areas. Using rented social housing as the minimum acceptable standard, floor plans of suitable sample dwellings were supplied by the Joseph

Rowntree Housing Trust in order to provide room sizes for the fuel-use calculations and costs of carpeting. Detailed specifications for the dwellings for different households met government bedroom and fitness standards in terms of being in a reasonable state of repair and having adequate bedroom space, modern facilities and services, and a reasonable degree of thermal comfort and efficiency.

Table 1 shows the housing types used for the MIS budgets. Like all areas of the budgets, housing provision was agreed by groups on the basis of minimum *needs*, rather than the actual distribution of accommodation. For example, pensioner groups agreed that, as a minimum, a single older person requires a one-bedroom flat and a pensioner couple a two-bedroom flat. (Here, the second room was necessary to provide the required amount of personal/living space in the apartment to accommodate visiting family, and to cater for situations when the couple needed separate beds because of illness). However, the Expenditure and Food Survey shows that only 28 per cent of single pensioners and 8 per cent of couple pensioners live in flats, while most live in houses.

**Table 1 Housing size and type**

Family type	Dwelling
Single adult	1-bed, mid-terrace, ground-floor flat
Couple, no children	2-bed, ground-floor flat
Single pensioner	1-bed, mid-terrace, ground-floor flat
Couple pensioner	2-bed, ground-floor flat
Lone parent, 1 (toddler) child	2-bed, end-terrace house
Couple, 2 children (pre-school, primary school)	3-bed, mid-terrace
Couple, 3 children (pre-school, primary school, secondary school)	4-bed house

### Communications (household services)

All budgets include provision for mobile telephones and a landline telephone. Landline phones were usually provided as the main service used. Budgets for mobile phones allowed for a pay-as-you-go service (rather than on a contract basis). For most groups, this was on the understanding that mobile phones were required for special use – for example, for emergencies for pensioners or (in the case of parents) if they needed to be contacted during the day by their children’s schools.

The groups agreed that only families with a secondary school child required internet access. This was to accommodate the increasing reliance on web-based resources in secondary education. Groups argued that, for other households, where needs

arose for online information, these could be met by internet services provided in local libraries.

### Childcare

Requirements for childcare will vary depending on families' employment patterns and aspirations. For example, of children in couple-parent families, 16 per cent have both parents in full-time work, 16 per cent have self-employed parents (possibly working variable hours), 23 per cent have one parent in full-time work and one parent not working, and 30 per cent have one full-time and one part-time employed parent (DWP, 2007a). Of children in lone-parent families, 22 per cent have a parent in full-time work and 28 per cent have a parent in part-time work (DWP, 2007a). Given this variety, it is important to separate out childcare costs from other budget areas, so that they can be added as variable costs for real families.

Where a figure for childcare is used, it is on the basis that parents (lone parent or both parents in a couple household) are in full-time employment. Groups' rationale for this decision was that this relatively high level of provision ensured *choice*. That is, it would ensure that parents have what they need in order that they could both work full-time. Across family types, the amount of childcare allowed varies with the age of children. For infants and pre-school aged children, groups agreed 50 hours of childcare per week (including time needed for commuting, picking up and dropping off) for all days except for public holidays and parents' annual leave. For younger school aged children, there is provision for after-school childcare, and full-time childcare in school holidays, excluding public holidays and parents' annual leave. For older secondary school children, there are no childcare costs as such, but provision for some structured activities during summer holidays.

### Personal goods and services

The budgets do not take into account the value of those national health services that are free at point of delivery. However, the groups allowed provision for prescription costs and dental and optical care.

- Prescription costs: children and pensioners are exempt from prescription charges. For all working-age adult budgets, groups suggested that the cost of one prescription medicine per season should be included, giving a total of four per year.

- Dental care: children are exempt from NHS dental costs. For all adults, an amount sufficient for two basic check-ups, with scale and polish treatment, and one filling per year were included, based on NHS dental costs.
- Optical care: standard sight tests are free for children and pensioners. However, unless eligible for discounts relating to benefits, all adults have to pay for sight tests and glasses/contact lenses if necessary. The groups agreed that all working-age adults' budgets should include the cost of a standard sight test every two years and the pensioners' budgets should include an annual amount towards the cost of a new pair of glasses every two years.

In terms of other personal care items – such as toiletries, sanitary towels and those required for a first aid and medicine cabinet – each group agreed an amount for a weekly 'top-up' cost. Decisions about 'top-ups' followed a process in which task groups attempted to detail lists of items, with replacement rates. Given particularly diverse, highly personalised preferences in this area, it became difficult to agree standard lists. Instead, groups agreed 'top-ups' based on consideration of lists such as had been drafted, their reflections on their own usage and spending patterns, and debates about minimum needs.

### Transport

Participants debated the need for having a car, but, overall, groups agreed that minimum transport needs can be met through use of public transport, for most journeys. With the exception of those for pensioners, all budgets include an allowance for a weekly bus pass for each household member (excluding infants and pre-school aged children). Since April 2008, pensioners are entitled to free national bus travel.

All budgets also included some provision for hiring taxis. This was for specific purposes, for example, when returning home with shopping from weekly supermarket trips, for journeys made late at night or for emergency trips to hospital.

### Social and cultural participation

Allowances for recreation and social participation were based on a selection of activities tailored by groups for different household types and including various recreation opportunities (meals out, cinema, pub, etc.), sports or gym use (with

participants often mindful of the need for people to be able to choose to maintain a healthy lifestyle), hobbies and educational activities. Amounts were allocated for recreation and social participation based on the type and frequency of the activities in which the groups thought different household members might typically participate. All budgets also allow for a one-week budget holiday in the UK. In terms of cultural participation, the budgets include amounts for celebrating Christmas or an equivalent festival, and for birthday presents for friends and family.

## 4 Minimum income standards for selected family types

This chapter presents and analyses the MIS budgets for four illustrative family types. Table 2 presents the distribution of single family unit households in the UK. This data is derived from merging five years of the Expenditure and Food Survey 2001/02–2005/06. A single family unit comprises a single adult or couple plus any dependent children. ‘Other’ single unit households are students, single parents with four or more children, couples with five or more children and mixed working-age and pensioner couples.

Single unit households constitute 84 per cent of all households. In the other 16 per cent, people live with others outside their immediate unit, including for example their grown-up children. These households are excluded from the analysis that follows.

**Table 2 Distribution of single-unit family types**

	Frequency	Per cent
Single pensioner	4,816	16.4
Couple pensioner	3,579	12.2
Single working age	4,696	16.0
Couple working age	5,411	18.4
Single parent, 1 child	1,076	3.7
Single parent, 2 children	810	2.8
Single parent, 3 children	260	0.9
Couple parents, 1 child	2,356	8.0
Couple parents, 2 children	3,289	11.2
Couple parents, 3 children	1,025	3.5
Couple parents, 4 children	267	0.9
Other	1,749	6.0
Total	29,334	100.0

Source: Expenditure and Food Survey 2001/02–2005/06.



In deciding on what family types to estimate budgets for, we have had regard to their prevalence but also taken into account their policy interest. In this report we have chosen to present the budgets for the following four families:

- working age single adult (16.0 per cent);
- pensioner couple (12.2 per cent);
- couple with two (one pre-school and one primary school aged) children (11.2 per cent); and
- lone parent with a toddler child (lone parents +1 child = 3.7 per cent).

Between them, these four represent 43.1 per cent of all single unit households.

MIS budgets are being made available for all the family types in Table 2 except 'other'. Together, they therefore represent 94 per cent of single unit households and 79 per cent of all households.

Table 3 presents the budgets for the illustrative family types broken down by commodity expenditure category. There are more detailed breakdowns of a selection of the budgets in the spreadsheets on the MIS website. Items included in the various components of the budget cover all aspects of expenditure as defined by public consensus. The items included in food and alcohol, clothing and fuel are self-explanatory. The items in the other components are more diverse. For example, the other housing costs component includes items associated with house maintenance such as decorating. The household goods component consists of around 200 items including furniture, carpets, curtains, bedding, kitchen equipment, cleaning materials, smoke alarms and window catches. Household services include items like telephone and mobile calls and baby-sitting. The items within the personal goods and services component include toiletries, jewellery, umbrellas, handbags and hairdressing services, and health items such as optical and dental services, prescription charges and home medication items such as plasters and cough syrup. Travel includes items such as bicycles and helmets for school children as well as local bus and taxi fares for all the family. Social and cultural participation includes TVs including a freeview box and other audio equipment, newspapers, toys and craft materials and for older school children a personal computer with accessories including broadband. Also within social and cultural participation there are various lump sum allowances for the purchase of gifts or school trips or children's 'reward' or pocket money. It also includes the cost of a UK holiday away from home, day trips and entertainment or sporting activities.

## Minimum income standards for selected family types

Because housing costs are a variable in the MIS they are treated as a separate item in Table 3. Note also that for the families with children, a substantial item of expenditure is childcare. This is also a variable item which can be included or excluded from the budgets. There is no allowance in any of the budgets for tobacco and motoring on the grounds that the consensus of the groups was that none of the families smoke or has a car. Apart from childcare, food is the largest item in the budgets for all these family types.

**Table 3 Summary of the MIS for four family types (£ per week)**

Commodity	Single working age	Pensioner couple	Couple + 2 children	Lone parent + 1 child
Food	40.34	53.25	97.47	47.05
Alcohol	4.38	7.40	6.06	3.48
Tobacco	0	0	0	0
Clothing	7.64	9.93	29.26	16.41
Water rates	4.71	5.56	5.45	7.38
Council tax	13.33	17.77	20.73	15.55
Household insurances	1.79	1.65	2.23	1.99
Fuel	9.00	10.62	18.49	16.43
Other housing costs	2.29	3.61	7.26	2.12
Household goods	9.50	11.12	17.39	16.37
Household services	9.99	9.07	13.21	6.72
Childcare	0	0	186.98	135.05
Personal goods and services	8.13	23.65	27.39	19.47
Motoring	0	0	0	0
Other travel costs	17.03	4.65	35.02	17.16
Social and cultural participation	29.73	43.21	90.08	40.16
Total excluding rent	157.84	201.49	557.03	345.35
Rent	52.30	64.43	69.40	64.07
<b>Total including rent</b>	<b>210.14</b>	<b>265.92</b>	<b>626.43</b>	<b>409.42</b>
<b>Total including rent but excluding childcare</b>			<b>439.45</b>	<b>274.38</b>
<b>Total excluding rent and childcare</b>	<b>157.84</b>	<b>201.49</b>	<b>370.05</b>	<b>210.31</b>

## Comparisons of MIS and actual expenditure

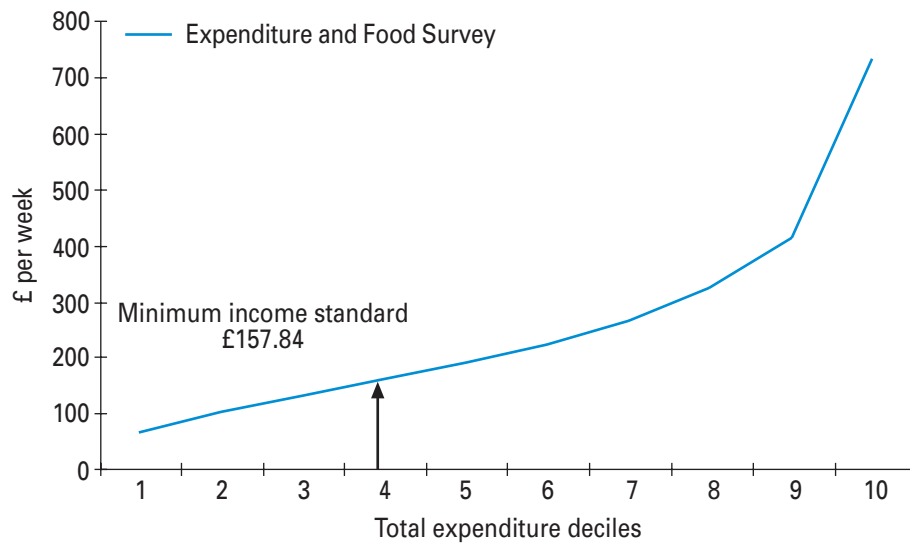
The next four tables compare the MIS budgets with data on actual expenditure derived from the Expenditure and Food Survey (EFS). The minimum income standards are meant to reflect what people *need* to spend not what they actually spend, but to interpret the results, it is worth knowing how they compare to what is actually happening. Again we have merged five years of the EFS (2001/02–2005/06) to undertake this analysis. Each year's expenditure data was uprated to April 2008 using movements in the commodity price index.<sup>1</sup>

The reason for merging years is to achieve reasonably sized sub-samples. Expenditure, based as it is on a diary fortnight in the EFS, is very variable and so it is important to maximise the number of cases included in the analysis to even out these fluctuations. Even so it can be seen in the tables below that some of the EFS sub-groups are still quite small and this should be borne in mind when making comparisons between the EFS and the MIS. In the tables we have presented both the money spent per week on each commodity and the share of the total budget that each commodity represents.

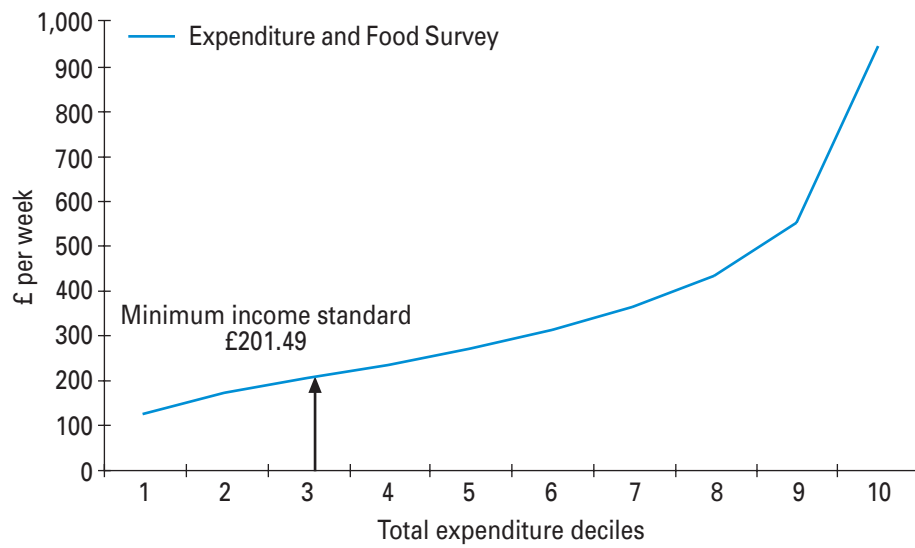
In Figures 2–5 we have compared the overall MIS for each family type with the actual distribution of expenditure of families in that type, as reported in the Expenditure and Food Survey (excluding housing and childcare expenditure).

The charts also show where the MIS comes in the distribution of total expenditure. Among single people of working age, about two thirds of families spend more than MIS, among pensioner couples and couples with two children about three quarters spend more than MIS, and among lone parents about half spend more than MIS. Thus all the MIS budgets are towards the lower end of total expenditure except for the lone parent but in that case expenditure does not vary much given that nearly half of lone parents are dependent on Income Support (IS).

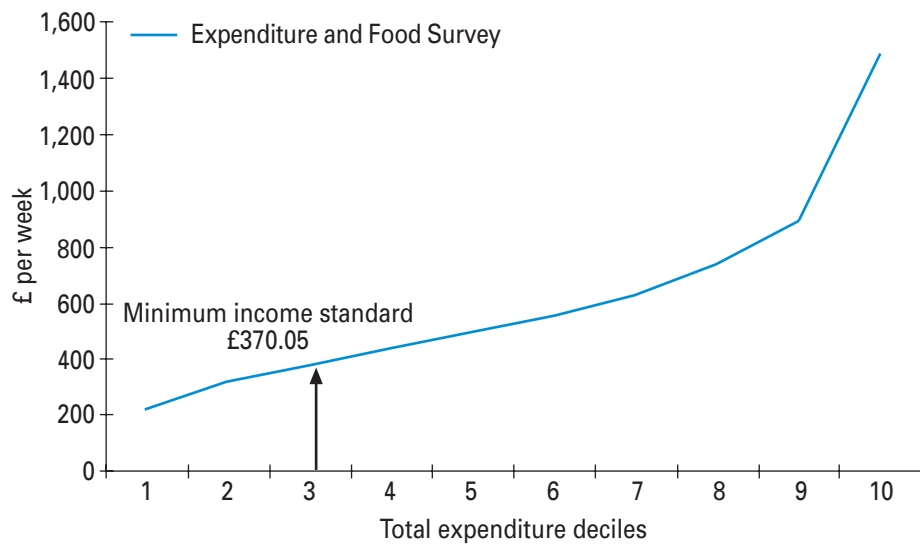
**Figure 2 Decile distribution of expenditure: working-aged single**



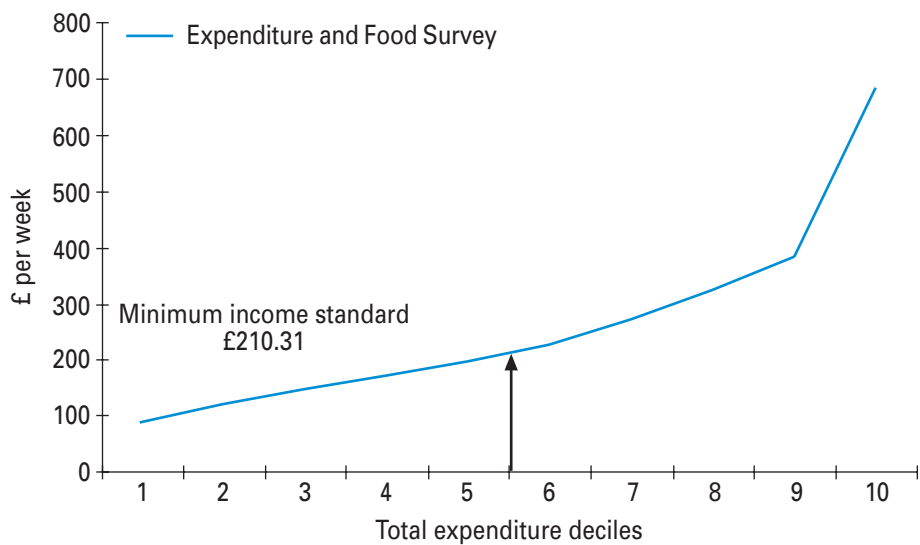
**Figure 3 Decile distribution of expenditure: pensioner couple**



**Figure 4 Decile distribution of expenditure: couple + 2 children**



**Figure 5 Decile distribution of expenditure: lone parent + 1 child**



In the tables below three comparisons have been made with the MIS:

- the mean expenditure of all families of that type in the EFS;
- the mean expenditure of all families of that type in the EFS who are receiving Income Support/income-tested Jobseeker's Allowance/Minimum Income Guarantee/Pension Credit; and
- the mean expenditure of that family type who are living in social housing.

There is no reason why the MIS budgets should be identical to actual expenditure. Actual expenditure is constrained by income, whereas the MIS budgets have been derived without an income constraint but aimed to achieve a minimum income standard. The purpose of the comparison with the EFS is to place the consumption patterns derived from the MIS exercise on the distribution of overall consumption. We do this analysis not because we believe consumption patterns should determine the MIS but to observe whether the MIS is wholly out of kilter with actual consumption patterns.

## **Single adult of working age**

The total MIS of £157.84 per week excluding housing costs for the single adult of working age is about £105 less than actual mean expenditure, £36 higher than actual expenditure of single working-age people relying on Income Support and about £10 higher than single people of working age in social housing.

Comparing spending, the MIS budget contains less than actual mean expenditure on all commodity groups except food and household services. A possible explanation for the latter is the inclusion of mobile phones and landlines as necessities within the MIS budget for this group. Mobile ownership rates have been increasing rapidly and this may not be reflected in the earlier EFS data. Comparing budget shares, the MIS allows less than the actual average budget shares of IS and social housing cases on alcohol and tobacco, water rates, council tax, fuel, other housing costs, household goods and transport.

**Table 4 Single working-age adult: MIS compared with actual mean expenditure per week (April 2008)**

	EFS all		EFS IS		EFS social housing		MIS	
	Mean £	%	Mean £	%	Mean £	%	£	%
Food	39.53	15.1	25.30	20.7	28.47	19.3	40.34	25.0
Alcohol	12.82	4.9	6.24	5.1	8.04	5.4	4.38	2.8
Tobacco	5.20	2.0	7.49	6.1	7.50	5.1	0.00	0.0
Clothing	9.29	3.5	4.25	3.5	4.88	3.3	7.64	5.0
Water rates	5.14	2.0	4.88	4.0	5.12	3.5	4.71	3.0
Council tax	15.58	5.9	13.42	11.0	13.36	9.0	13.33	8.4
Household insurances	4.51	1.7	1.12	0.9	0.88	0.6	1.79	1.1
Fuel	14.37	5.5	11.14	9.1	11.08	7.5	9.00	6.0
Other housing costs	18.88	7.2	3.28	2.7	2.29	1.6	2.29	1.4
Household goods	19.25	7.3	8.82	7.2	9.84	6.7	9.50	6.0
Household services	9.26	3.5	6.98	5.7	6.49	4.4	9.99	6.3
Childcare	0.08	0.0	0.12	0.1	0.07	0.1	0.00	0.0
Personal goods and services	10.41	4.0	3.41	2.8	4.79	3.2	8.13	5.1
Transport	50.11	19.1	10.24	8.4	18.72	12.7	17.03	10.8
Social and cultural participation	47.95	18.3	15.45	12.7	26.34	17.8	29.73	18.8
<b>Total excluding rent/mortgage</b>	<b>262.39</b>	<b>100.0</b>	<b>122.14</b>	<b>100.0</b>	<b>147.87</b>	<b>100.0</b>	<b>157.84</b>	<b>100.0</b>
<b>Rent/mortgage</b>	<b>80.30</b>		<b>77.69</b>		<b>72.42</b>		<b>52.30</b>	
<b>Number in EFS</b>	<b>4696</b>		<b>693</b>		<b>1154</b>			

## Pensioner couple

The overall MIS for the pensioner couple is £201.49 excluding housing costs in Table 5. This is about £161 lower than mean national expenditure, £30 lower than couple pensioners receiving Minimum Income Guarantee/Pension Credit and £11 lower than couple pensioners in social housing. The main reason that the MIS is lower than MIG/PC and social housing is the introduction of free bus transport from April 2008 which is not reflected in the historical expenditure data.

In terms of pounds spent per week, the MIS budget contains less than the actual average expenditure of pensioners on all commodities except personal goods and services. Personal goods and services which includes health costs may be higher in the MIS because the MIS budgets do not take account of exemptions from charges for spectacles or dental treatment which are only available to some pensioners. The allowance in the MIS for hairdressing services for women may also contribute. The budget shares in the MIS are similar to the Pension Credit/MIG and social housing groups for most commodities except they are lower for fuel, household goods and travel.

**Table 5 Pensioner couple: MIS compared with actual mean expenditure per week (April 2008)**

	EFS all		EFS Pension Credit		EFS social housing		MIS	
	Mean £	%	Mean £	%	Mean £	%	£	%
Food	65.60	18.1	53.58	23.2	52.81	24.9	53.25	26.6
Alcohol	10.83	3.0	6.69	2.9	7.11	3.4	7.40	3.7
Tobacco	2.94	0.8	5.32	2.3	5.79	2.7	0.00	0.0
Clothing	12.10	3.3	7.41	3.2	6.72	3.2	9.93	4.9
Water rates	6.31	1.7	5.88	2.6	5.70	2.7	5.56	2.7
Council tax	24.49	6.8	19.53	8.5	18.43	8.7	17.77	8.8
Household insurances	6.21	1.7	3.10	1.3	1.59	0.8	1.65	0.8
Fuel	21.00	5.8	18.15	7.9	14.93	7.0	10.62	5.3
Other housing costs	29.02	8.0	9.59	4.2	3.61	1.7	3.61	1.8
Household goods	26.33	7.3	20.79	9.0	16.10	7.6	11.12	5.5
Household services	9.26	2.6	7.99	3.5	6.40	3.0	9.07	4.5
Personal goods and services	20.57	5.7	9.22	4.0	9.72	4.6	23.65	11.7
Travel	54.50	15.0	24.41	10.6	24.18	11.4	4.65	2.3
Social and cultural participation	73.03	20.2	39.40	17.1	39.26	18.5	43.21	21.4
<b>Total excluding rent/mortgage</b>	<b>362.19</b>	<b>100.0</b>	<b>231.06</b>	<b>100.0</b>	<b>212.33</b>	<b>100.0</b>	<b>201.49</b>	<b>100.0</b>
<b>Rent/mortgage</b>	<b>14.86</b>		<b>46.52</b>		<b>71.77</b>		<b>64.43</b>	
<b>Number in EFS</b>	<b>3579</b>		<b>280</b>		<b>486</b>			

## Couple plus two children

For families with children, the analysis is complicated by the inclusion in the MIS of childcare costs. While there are strong policy reasons for including them in some of the analysis, the EFS reveals that there is very little actual expenditure on childcare. So we compare the EFS and the MIS budgets excluding childcare.

The total MIS for the couple with two children excluding childcare and rent/mortgage is £370.05 per week. This is £240 less than actual average expenditure, £83 higher than similar families on IS and £22 higher than similar families in social housing.

In terms of budget shares, the MIS contains less on alcohol, tobacco, water rates, other housing costs, household goods and transport in comparison with the families on IS or in social housing. The lower costs for alcohol are the result of focus group consensus that consumption outside the home was not a necessity for couples with young families. Therefore all prices for alcohol were collected in supermarket stores.



**Table 6 Couple plus two children: MIS compared with actual mean expenditure per week (April 2008)**

	EFS all		EFS IS		EFS social housing		MIS	
	Mean £	%	Mean £	%	Mean £	%	£	%
Food	111.55	18.3	67.58	23.5	82.16	23.6	97.47	26.3
Alcohol	17.99	2.9	6.86	2.4	10.67	3.1	6.06	1.6
Tobacco	5.54	0.9	13.68	4.8	14.98	4.3	0.00	0.0
Clothing	31.61	5.2	18.60	6.5	21.48	6.2	29.26	8.0
Water rates	7.08	1.2	6.46	2.3	6.88	2.0	5.45	1.5
Council tax	24.35	4.0	18.14	6.3	18.86	5.4	20.73	5.6
Household insurances	8.39	1.4	1.81	0.6	1.61	0.5	2.23	0.6
Fuel	24.73	4.1	20.20	7.0	17.50	5.0	18.49	5.0
Other housing costs	58.96	9.7	10.11	3.5	7.26	2.1	7.26	2.0
Household goods	42.06	6.9	19.98	7.0	21.17	6.1	17.39	4.7
Household services	15.22	2.5	8.78	3.1	11.65	3.3	13.21	3.6
Personal goods and services	27.24	4.5	11.44	4.0	13.57	3.9	27.39	7.4
Transport	110.21	18.0	41.66	14.5	60.68	17.4	35.02	9.5
Social and cultural participation	125.22	20.5	41.80	14.6	59.75	17.2	90.08	24.3
<b>Total excluding rent/mortgage</b>	<b>610.14</b>	<b>100.0</b>	<b>287.09</b>	<b>100.0</b>	<b>348.21</b>	<b>100.0</b>	<b>370.05</b>	<b>100.0</b>
<b>Rent/mortgage</b>	<b>122.31</b>		<b>92.84</b>		<b>78.83</b>		<b>69.40</b>	
<b>Number in EFS</b>	<b>3289</b>		<b>127</b>		<b>332</b>			

## Lone parent plus one child

In the case of the lone parent with one child (a toddler), the total MIS budget excluding childcare is £210.31, which is £5 less than the average actual expenditure, £49 more than lone parents on IS and £27 more than lone parents with one child in social housing spend.

In comparison with average actual expenditure, the MIS budget is higher than average for water rates, council tax, fuel and personal goods and services. In comparison with budget shares the MIS budget is similar to the IS and social housing groups except for tobacco, personal goods and services and social and cultural participation.

**Table 7 Lone parent plus one child: MIS compared with actual mean expenditure per week (April 2008)**

	EFS all		EFS IS		EFS social housing		MIS	
	Mean £	%	Mean £	%	Mean £	%	£	%
Food	52.27	20.0	41.56	25.7	44.80	24.5	47.05	22.4
Alcohol	7.00	2.7	3.94	2.4	4.47	2.4	3.48	1.6
Tobacco	5.70	2.2	6.41	4.0	6.41	3.5	0.00	0.0
Clothing	16.95	6.5	11.33	7.0	12.90	7.1	16.41	7.8
Water rates	6.09	2.3	5.89	3.6	6.09	3.3	7.38	3.5
Council tax	15.29	5.9	13.77	8.5	13.68	7.5	15.55	7.4
Household insurances	3.47	1.3	1.10	0.7	1.03	0.6	1.99	1.0
Fuel	15.90	6.1	13.09	8.1	13.00	7.1	16.43	7.8
Other housing costs	14.80	5.7	2.83	1.8	2.12	1.2	2.12	1.0
Household goods	22.27	8.5	12.28	7.6	14.03	7.7	16.38	7.8
Household services	9.95	3.8	6.42	4.0	7.86	4.3	6.72	3.2
Personal goods and services	12.92	5.0	8.07	5.0	8.77	4.8	19.47	9.2
Transport	34.90	13.4	12.70	7.8	20.32	11.2	17.16	8.1
Social and cultural participation	43.45	16.6	22.01	13.6	27.40	15.0	40.16	19.1
<b>Total excluding rent/mortgage</b>	<b>260.97</b>	<b>100.0</b>	<b>161.40</b>	<b>100.0</b>	<b>182.89</b>	<b>100.0</b>	<b>210.31</b>	<b>100.0</b>
<b>Rent/mortgage</b>	<b>89.33</b>		<b>92.04</b>		<b>80.24</b>		<b>64.07</b>	
<b>Number in EFS</b>	<b>1076</b>		<b>436</b>		<b>508</b>			

## Income needed to reach MIS

The MIS provides a budget standard, but what income is needed to reach this standard? Table 8 provides a comparison of out-of-work income and the MIS. The comparison is made excluding rent/mortgage and council tax from MIS because families out of work and in receipt of IS/Pension Credit would have these paid on top of their basic benefit. The value of the winter fuel allowance has been added to Pension Credit for the pensioner couple.<sup>2</sup> The value of one free school meal has been included<sup>3</sup> for the couple with two children (one school aged) on IS because they would be entitled to it. The lone parent with a toddler would be entitled to a Healthy Start voucher worth £3 per week and this has been added.

It can be seen that for single people and families with children, the out-of-work benefits payable are a long way below our estimates of MIS. The single person is furthest below with Income Support covering only 42 per cent of the MIS. The couple pensioners receiving Pension Credit (and including the winter fuel premium) exceed the MIS budget by five per cent. The families with children on Income Support are only receiving about two thirds of the MIS.

**Table 8 MIS compared with out-of-work benefit income (April 2008)**

	Single working age	Couple pensioner	Couple + 2 children	Lone parent + 1 child
MIS excluding childcare, rent and council tax (£ per week)	144.51	183.72	349.32	194.76
IS*/PC £ per week	60.50	193.19	224.80	132.84
Difference +/- £ per week	-84.01	9.47	-124.52	-61.92
IS/PC income as % MIS	42	105	64	68

\* Including Child Benefit and Child Tax Credit.

Table 9 estimates the gross earnings that are required by a single earner to meet the MIS given our assumptions for rent and council tax and given the April 2008 tax and benefit regime.

The single person would achieve a net income equal to the MIS with earnings of £258 per week. This would require them earning a wage of at least £6.88 per hour for a 37.5 hour week or working 47 hours for the minimum wage of £5.52.

The couple plus two children with one earner would need gross earnings of £516 per week to achieve a net income at the MIS level. This is a wage rate of £13.76 for a 37.5 hour week for a single earner. If they have a lower wage rate then both parents would have to work and this may involve childcare costs or one parent would have to work longer hours.

A lone parent with one child with childcare costs would reach the MIS with earnings of £230 per week having taken account of taxes and benefits. That is a wage rate for a 37.5 hour week of £6.13 per hour. With no childcare costs the lone parent would more than achieve the MIS working for 30 hours on the minimum wage. In fact they would exceed the MIS by about £8. If they worked less than 30 hours they would lose the 30 hour bonus in tax credits and have to earn a much higher wage rate to reach the MIS level.

**Table 9 Gross earnings by one earner required to meet the MIS (April 2008) £ per week**

	Single working age	Couple +2 children no childcare	Lone parent + 1 child	Lone parent + 1 child no childcare*
MIS (including rent and council tax)	210	439	301	274
Gross earnings required	258	516	230	166
Less income tax	-30.75	-82.35	-25.15	-12.27
Less NI contributions	-16.83	-45.21	-13.75	-6.67
Plus Child Benefit	0	31.35	18.80	18.80
Plus Working Tax Credit	0	0	40.89	66.01
Plus Child Tax Credit	0	19.78	50.44	50.44
Housing Benefit	0	0	0	0
Council Tax Benefit	0	0	0	0
Hourly wage rate for 37.5 hour week	£6.88	£13.76	£6.13	£5.52

\* This illustrates how working a 30 hour week on the minimum wage produces an after-tax income £8 above MIS (see text).

The lone parent with childcare costs is assumed to be receiving Childcare Tax Credit and therefore paying 20 per cent of the gross childcare cost.

The tax and benefit calculations are derived from the Housing Affordability Ready Reckoner produced by Professor Steve Wilcox, Centre for Housing Policy, University of York.

Earlier we presented a comparison of the MIS compared with the decile distribution of expenditure. It is also interesting to compare the MIS with the distribution of net income. At the time of writing, we do not yet know what median income is going to be in April 2008 to compare with the MIS, but in Table 10 we have made an estimate based on the equivalent median given in the 2005/06 *Households Below Average Income* (DWP, 2007a) uprated by nine per cent assuming income growth between mid 2005/06 and April 2008. Before housing costs, our MIS budgets are between 63 and 76 per cent of median equivalent income – all in excess of 60 per cent of the median income poverty threshold. After housing costs, the MIS budgets are still at or in excess of the 60 per cent of the median threshold except for the pensioner couple.

**Table 10 Comparison of MIS and median income £ per week**

	Single working age	Pensioner couple	Couple + 2 children	Lone parent + 1 child
Estimated equivalent median income BHC	265	395	553	344
MIS including rent (excluding childcare and council tax)	197	248	419	259
MIS as % of the median	74	63	76	75
Estimated equivalent median income AHC	195	337	472	263
MIS (excluding childcare, council tax, water rates and rent)	140	178	344	187
MIS as % of the median	72	53	73	71

BHC: Before housing costs.

AHC: After housing costs.

### Discussion

The MIS budgets vary with family type (and the number and ages of any children). They also vary according to whether housing costs are included or excluded and, in the case of families with children, whether an allowance is made for childcare. Except for the lone parent they are all lower than the average expenditure of the same family types in the Expenditure and Food Survey but generally somewhat higher than the spending of those families on benefits or living in social housing.

Compared with the level of out-of-work benefits, of the four family types considered here, only pensioner couples receiving Pension Credit (and also, therefore, their housing costs through Housing Benefit) would achieve the MIS. The incomes of single working-age adults and families with children are short of MIS by a long way, when they are receiving Income Support and Child Tax Credit.

Only the lone parent with one child and no childcare costs could achieve the MIS working full-time for the minimum wage. All other families would need to earn more and in the case of couples the wage rate would have to be high or both parents need to be employed.

Our comparison between MIS and equivalent net income reveals that the MIS budgets are well below median income levels, but higher than the 60 per cent of median income poverty threshold (except pensioner couples). In summary, people at the standard poverty line, 60 per cent of median, are mostly well below the MIS.

## 5 A new equivalence scale

Two people sharing their expenses can live more cheaply in one household than if they lived in separate households. This is called economy of scale. However, the more people there are in the household, the bigger the resources they need to maintain a living standard. When family or household income is estimated for the calculation of, for example, poverty rates, an equivalence scale is used to adjust the incomes to take account of differences in the size and type of family or household, because of their differing needs and economies of scale.

The equivalence scales used in research on income poverty in Britain have recently changed. Originally, from the 1970s onwards, the McClements scale was used, named after the government economist who derived it using econometric analysis of household expenditure data (McClements, 1978). The equivalence scale most commonly used outside the UK was the OECD equivalence scale,<sup>1</sup> which was originally a compromise between scales used by national governments. It had little or no basis in science. As if to underline this, more recently economists at the OECD and those working on the Luxembourg Income Study have adopted the square root of the number of people in the household, on the grounds that it produces similar results and is easy to compute. Meanwhile, for reasons that remain obscure, the Statistical Office of the European Union (EUROSTAT) decided that the OECD scale was too generous to children and modified it (Hagenaars *et al.*, 1994). In order to bring their practice in line with EU conventions, from 2005/06 the DWP began to use the modified OECD scale in their *Households Below Average Income* poverty analysis based on the Family Resources Survey.

Table 11 summarises the existing equivalence scales with the base as a couple = 1.00. It can be seen that there are important differences between the scales that have been used. The change from the OECD to the modified OECD scale shifted the composition of the population in poverty in most countries from children to the elderly – because it is less generous to children (Burniaux *et al.*, 1998; Bradshaw, 2007). The introduction of the modified OECD in place of the McClements scale in the UK resulted in a slight increase in the child poverty rate – because the McClements scale had been less generous to young children.

**Table 11 Existing equivalence scales: before housing costs**

	McClements	OECD	Modified OECD	Square root of N
First adult	0.61	0.58	0.67	0.71
Two adults	1.00	1.00	1.00	1.00
Two adults + 1 child	1.20	1.29	1.20	1.22
Two adults + 2 children	1.40	1.58	1.40	1.40
Two adults + 3 children	1.60	1.87	1.60	1.56
One adult + 1 child	0.81	0.87	0.87	1.00
One adult + 2 children	1.01	1.16	1.07	1.22
One adult + 3 children	1.21	1.45	1.27	1.40

So equivalence scales matter – they may be arcane but they can make a difference to the number and composition of people assessed as being in poverty, which affects the design of anti-poverty policies and debates about poverty among the public and in the media. Yet the equivalence scales are not based on evidence of what families of different sizes and compositions need to obtain equivalent living standards; or if they once had some link to needs, it has been lost through the passage of time.

It was therefore one of the objectives of the MIS project to derive a new set of equivalence scales. The MIS is based on transparent and systematic methods that establish what families of different compositions need to reach a reasonable basic standard of living. The MIS has been established through the consensus of ordinary people and supported by expert judgement. We have derived budgets for pensioners because they have different needs to non-pensioners, a fact not acknowledged by the existing scales. The budgets enable us to estimate an equivalence scale for families with children with and without childcare costs, and to distinguish them from the needs of childless adults. The MIS is a minimum standard. It is thus, arguably, more appropriate to use it for adjusting income for poverty measurement than a scale based, however loosely, on the consumption patterns of all households.

In Table 12 the MIS equivalence scales are presented in two ways – with a childless couple as the base and with a single person of working age as the base. The comparison is with the modified OECD scale. It can be seen that with the working-age couple as the base the MIS equivalence scale is higher than the modified OECD scale for singles, couples with two or more children and all lone parents, and lower for pensioner singles and couples and couples with one child. If childcare costs are included in the MIS then the MIS equivalence scales are much higher for all the families with children. With singles as the base the MIS equivalence scale is higher for couples with two or three children and all lone parents, and lower for working-aged couples, single and couple pensioners and couples with one or four children. Again if childcare is included the MIS scale is higher for all families with children.

Table 12 MIS equivalence scales

	MIS		Equivalence scales					
	£ per week		Couple = 1.00			Single = 1.00		
	Without childcare	With childcare	MIS	MIS with childcare	Modified OECD	MIS	MIS with childcare	Modified OECD
<b>Before housing costs</b>								
Single	197		0.69		0.67	1.00		1.00
Couple	287		1.00		1.00	1.46		1.49
Single pensioner	176		0.61		0.67	0.89		1.00
Couple pensioner	248		0.86		1.00	1.26		1.49
Couple +1 (aged 1)	330	465	1.15	1.62	1.20	1.68	2.36	1.79
Couple +2 (aged 3/8)	419	606	1.46	2.11	1.40	2.13	3.08	2.09
Couple +3 (aged 3/8/14)	523	706	1.82	2.46	1.73	2.65	3.58	2.58
Couple +4 (aged 1/3/8/14)	556	809	1.94	2.82	1.93	2.82	4.11	2.88
Lone parent +1 (aged 1)	259	394	0.90	1.37	0.87	1.31	2.00	1.30
Lone parent +2 (aged 3/8)	337	524	1.17	1.83	1.07	1.71	2.66	1.60
Lone parent +3 (aged 3/8/14)	440	627	1.53	2.18	1.40	2.23	3.18	2.09

## Conclusion

It is clear from these results that the modified OECD equivalence scale is underestimating the relative needs of singles of working age and families with children. It therefore underestimates their poverty rates, and overestimates the poverty rates of childless couples and single and couple pensioners. In fact the original OECD scale was a closer fit with MIS.



## 6 The future: uprating and rebasing

### Background

One of the problems with budget standards methods that we sought to tackle during this project was the fact that, as time passes, the standard may lose touch with general living standards. The fact that the FBU budgets were out of date was one of the reasons for embarking on this new project to develop a minimum income standard. But, if the MIS is going to be a useful tool of policy into the future, a better basis for uprating is needed. As part of this project we sought to find a solution to this problem.

The issue of how to uprate is not one restricted to budget standards.<sup>1</sup> JRF has recently published findings from a related project that discusses ‘The impact of benefit and tax uprating’ (Sutherland *et al.*, 2008).

We asked two questions.

1. How should budget standards be routinely revised over the short term so that they reflect rising prices and living standards? (This we call uprating.)
2. How should budgets be revised from time to time to deal with the changes in patterns of consumption, tastes and the introduction of new commodities such as a mobile phone. They were extremely rare in 1991, ownership rates were still low in 1998 but today they are included in our budgets. (This we call rebasing.)

#### Terminology note

*Uprating* of budget standards means annual adjustment according to some formula to take account of rises in prices and/or living standards.

*Rebasing* of budget standards means reapplying the original methodology under which they were calculated, to ensure that they are in line with current social norms.

## Uprating

The purpose of annual uprating of the MIS will be to continue to express a minimum income standard in terms of contemporary norms, as these norms gradually change. Periodic rebasing (see below) is the only way of accurately seeing how these changes affect the socially defined minimum. However, in between these rebasings, a gradual raising of the published standard in line with growing prosperity could avoid ‘jumps’ at the time of rebasing.

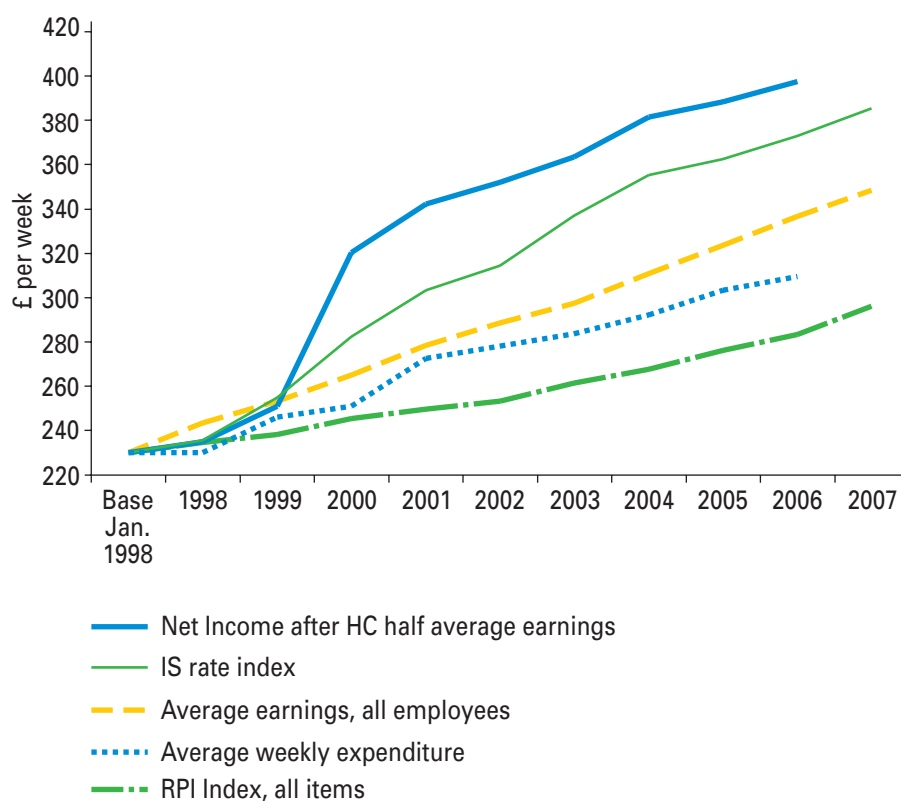
When the FBU budgets were rebased in 1998/99 they were above the social assistance (Income Support/Minimum Income Guarantee/Pension Credit) scale rates for families with children and pensioners. However, uprated only by the commodity RPI, they soon fell below these benefit rates.<sup>2</sup>

The question is how to produce a (necessarily crude) estimate of annual changes. Figure 6 shows examples of what different indices would have shown applied to the FBU budget for a couple with two children between 1998 and 2007. The lowest line shows the inflation measure by which it was actually uprated. This was considerably slower than the rise in living standards, as indicated for example by rises in household expenditure. The FBU experience from 1991 to 1998 described below, suggests that inflation-only upratings are inadequate and will turn out to understate the rise when it comes to rebasing. Other possible uprating methods are suggested in Figure 6.

- Uprating in line with *incomes*: one example is the income measure that is the top line in Figure 6, representing the net income of a family on modest means, on half average earnings. This level of disposable income might be seen as contributing to norms of what a minimum entails. However, incomes are not exactly aligned with living standards given that people save and borrow to various degrees. Also, net income can be directly affected by policy changes over tax and benefit rates. A standard that seeks to influence policy should as far as possible be independent of policy decisions, to avoid a ‘changing of the goalposts’ in the case of a policy that responds to the standard. This is also a reason for not using another measure shown on the graph, the *Income Support rate*, or other policy-determined measures like the *National Minimum Wage*.
- Uprating in line with *earnings*: this would have produced a smaller rise, but still keeping well ahead of inflation. Changes in average earnings are often used as an indicator of rises in living standards (and some benefits). They are largely independent of policy decisions, but are not the only thing determining changes in household incomes, and again take no account of saving and borrowing.

- Uprating in line with *expenditure*: this is the most direct indicator of consumption patterns that are presumed to influence changes in the level of a socially defined minimum. Note also from Figure 6 that it has recently risen at a similar rate to earnings. The main difficulty with this measure is that expenditure figures are published two years out of date.

**Figure 6 The FBU couple plus two children budget uprated by different indices, 1998–2007**



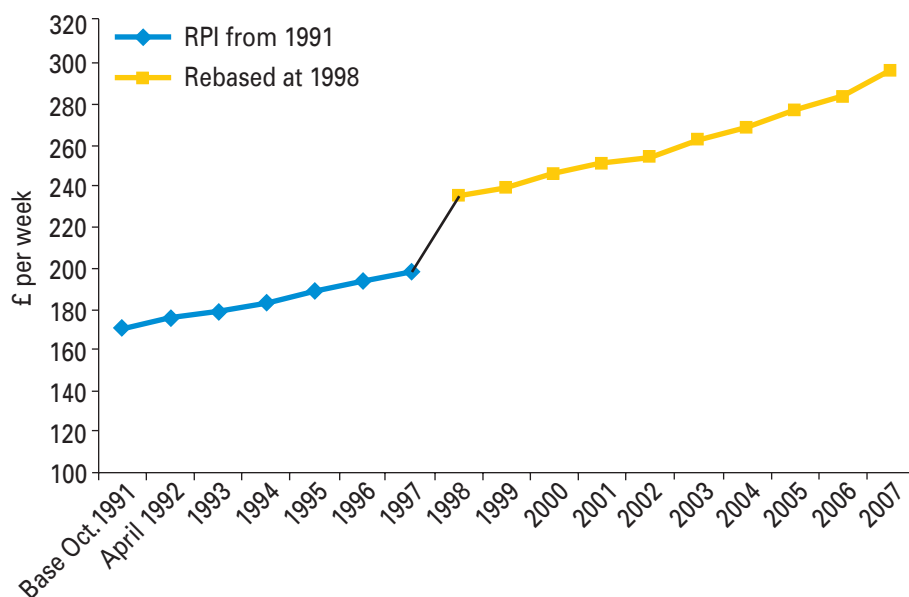
Base: 1998 = £100 per week.

Taking the above factors into consideration, we decided that the best uprating index would be an estimate of annual changes in expenditure. We undertook some analysis of this over the last ten years and decided that it would be possible to use an expenditure index based on movements in the real level of expenditure of two years previously (but applying the current inflation rate) without unacceptable loss of accuracy. Obviously this would have to be reconsidered if there were sharp year-to-year fluctuations in incomes that might affect expenditure. Further details of the reasoning behind this proposal is given in the working paper *Uprating and Rebasing Minimum Income Standards* (see [www.minimumincomestandard.org](http://www.minimumincomestandard.org)).

## Rebasing

The original FBU budgets were priced in 1991 (Bradshaw, 1993). They were then uprated by movements in the commodity Retail Price Index (RPI). But, by 1998, the FBU felt that the budgets needed to be rebased from scratch (Parker, 1998). As a result, as Figure 7 shows, there was a sudden hike in the budget standard for couples with children and the same occurred for pensioners when their budget was rebased in 1999 (Parker, 2000).

**Figure 7 Couple with two children FBU budget standard rebased 1998**



Uprating will only maintain the validity of a budget standard for a few years. So rebasing is necessary from time to time. We think that too short a period would not produce useful measures of changes in living standards, but propose that, in normal times, budgets should be rebased every five years.

Of course, the best way to rebase MIS is to rebase it for all standard family types using the same methods that were employed in this project. But that is a substantial and expensive undertaking.

Probably the best way of shortening the rebasing method would be to reduce the number of family types that are covered by the focus groups. Thus, we would propose to take two standard family types (for example, a single pensioner and a couple with two school aged children) and rebase the budgets using the MIS methods for those family types and then extrapolate the MIS for other family types using our MIS equivalence scales.

In using this method, we make the assumption that the equivalence scale has stayed constant, except insofar as the comparisons between the sample pair of groups indicate otherwise. At some point in the future, this should be tested by looking at all groups again.

In the meantime, five-yearly rebasing for two family types would allow some assessment of whether to revise the scales. One way of doing this would be to consider three main household types – pensioners, families with children and working-age adults without children. By looking at pairs of these on a rolling basis each five years, the relative weighting between the three types could be gradually adjusted.

## Conclusion

This chapter proposes solutions to the uprating and rebasing problems of MIS. We propose that the MIS is uprated annually using an index of average expenditure. Rebasing every five years (or so, depending on changes in living standards) will be undertaken for two family types and adjustments made for other family types using the MIS equivalence scale. The uprating method can be reassessed in the light of the results of the rebasing.

## 7 MIS in practice

The construction of the budgets marks less the completion of a final product and more the beginning of the process of applying the MIS in practice. The MIS has the potential to inform, challenge and enhance the work of policy-makers, practitioners, employers, academics and all those interested in supporting standards of fairness and well-being in Britain. The MIS represents a needs-based threshold of acceptable living standards, grounded not on arbitrary measures but on a blend of expert advice and social consensus. This social consensus was hammered out between members of the public over the course of successive waves of group work. While participants were the best critics of provision deemed either inadequate or too aspirational, they were also challenged by the researchers to ensure that groups were confident that what they allowed in the budgets constituted an acceptable minimum, no less and no more. We report briefly on some of these discussions below. We go on to outline some of the potential uses of the MIS in practice. Earlier in this report, we highlighted that the MIS provides a basic or default standard, but that some households have particular additional needs, resulting in additional costs. The chapter concludes with a brief consideration of future work needed to develop MIS budgets for such households.

### Strength of consensus

Throughout the project, participants were frequently urged to ensure that the level of provision they allowed for the budgets truly represented the acceptable minimum. In addition, the project built in points at which participants were challenged more systematically. This included getting the groups to consider the budgets in the context of competing resources at a national level. For example, at the end of the sessions, the checkback groups were asked how they would respond to the Chancellor of the Exchequer saying that the Government was unable to come up with the money required to meet the minimum income standard they had described. When confronted in this way, all groups nevertheless remained firm in their confidence that the budgets represented a minimum and they resisted the idea of any reductions. Having negotiated among themselves – often challenging and sometimes arguing with each other – they were unable to identify areas where the budget could be reduced without it having a felt impact on living standards:

There would be no reasoning with it [the Chancellor's claim that it couldn't be afforded] because we have done it to a minimum standard. So you cannot reason with him and say, 'OK, then, we will take £10 off here' and 'Don't worry, my kid will go without that'. (Woman, parents of pre-school age children group)

The checkback groups further argued that any reduction in the budgets would have consequences on a household's well-being. The groups believed that such consequences could be in terms of physical health, especially if food budgets were reduced and households had to rely on the cheapest products available. Some groups suggested that reducing the budgets would also take a toll on individuals' mental health – for example, if reductions limited scope for social participation or resulted in a persistent under-resourcing of those items associated with self-esteem (such as clothes or personal care costs).

Parents in particular were concerned about the longer-term consequences for children if the minimum income standard *were not* met:

If the Chancellor's not willing to invest in children now what does he expect children to achieve, because if you're not giving them healthy meals they are going to get obese, if you're not giving them different things to learn stuff he's not putting the money into what children need for them to develop into people who are going to want to go to university ... they're going to have no faith in themselves. (Woman, parents of primary school age children group)

## MIS applications

The project has produced some tools that we hope will be of use. The first is the new equivalence scales discussed in Chapter 5. The second is the Ready Reckoner which is being made available on the MIS website. This is a user-friendly programme that allows anyone to find out the gross income required to achieve the acceptable minimum standard for the household type they specify, taking into account variable costs for things like housing. This tool is being made accessible to individual members of the public, but also to organisations including government departments, trade unions, employers, welfare and campaign groups, agencies advising on money management, as well as to courts when they are determining the capacity of people to pay debts.

In terms of its broader uses for policy, the MIS sits alongside the relative income poverty threshold and material deprivation indices. It does not aim to supersede these measures (which have their different uses) but, by comparing itself with them, it is hoped that the MIS will stimulate and inform debates about ‘what is enough’ and which households need support to achieve an acceptable minimum standard of living in Britain today.

Certainly, one debate to be had is about the relationship between the MIS, the relative income threshold of poverty, and public perceptions of poverty, adequacy and fairness (see following box). The potential of the MIS here is to feed into the ongoing process of building understanding of the nature of poverty and inequality in Britain, and consensus over the need to tackle it. As part of this process, the MIS might serve to trigger questions about the type of living standards that benefits/tax credits are intended to support. Comparisons have been made between MIS and benefit/tax credit provision. However, how the results of these comparisons should be interpreted depends on clarification of these questions. The MIS is constructed to meet a specified, predetermined standard, but this is not the case with benefits/tax credits.

### **The MIS and the poverty line**

The minimum income standard has been designed to fill a gap in our measurement of poverty by looking objectively at what minimum income society finds acceptable for everyone in Britain. Someone living below this income could be said to be in poverty in the sense of not having enough resources to participate fully in society, although it cannot be shown that everyone living below this level is in hardship.

In practice, a relative income poverty line will continue to be used by government and others as a recognised measure, allowing easy comparisons over time and with other countries. The MIS level is a useful benchmark that helps us to interpret this measure. What does it tell us about the main measure, 60 per cent of median income? As shown in Table 10, in most cases someone below the 60 per cent median line would be below the MIS. It is possible to calculate that the exceptions, couple pensioners on 53–60 per cent of median income after housing costs, comprise fewer than 4 per cent of people in relative income poverty. This allows commentators on the official poverty figures to say that most of those below the poverty line are unable to reach a standard of living that the public think everybody should be able to afford.

*(Continued)*



The other way in which the benchmark can inform interpretation of the relative income measure is in how we weight for households of different size (equivalence scales, see Chapter 5). The measure shows that, based on their greater needs, families with children are more likely than average to be in poverty. The MIS evidence suggests that we have been *underestimating* these greater needs and therefore the relative risk of poverty for families with children is even higher. The reverse is true for pensioners, who now have a slightly below-average poverty rate (after housing costs) on the official measure, but it would be slightly further below average with MIS equivalence scales. Conversely, for single people without children (who have a slightly higher than average reported poverty rate after housing costs), the MIS suggests that the poverty line and therefore the numbers in poverty should be higher. So, overall, the MIS 'equivalence scales' tend to reinforce rather than contradict evidence so far on which household groups face the greatest poverty rates.

Another closely related debate to be had is about the relationship between the MIS and the minimum wage. For example, Chapter 4 suggests that families on the minimum wage would be unable to achieve an acceptable minimum standard of living without working excessive hours. The prevalence of in-work poverty (in relative income terms) must also throw doubt on the adequacy of the minimum wage. However, how this debate unfolds is important. As a recent Joseph Rowntree Charitable Trust seminar on the subject highlights, before jumping to questions about how much the minimum wage needs to be, it is vital to be clear about what that wage rate is meant to represent. In other words, on what should the minimum wage (or 'living wage') be based: minimum household living standards (the MIS), minimum household income thresholds based on the income distribution (relative income poverty) or the structure of labour market rewards (reappraisal of the relative value of different types of work)?

## Future work

The current budgets provide a minimum income standard for Britain, but the relevance of the budgets for Northern Ireland has not yet been tested. This will be an important task for the near future in order to provide an MIS for the UK. In all cases, the budgets will need to be maintained to ensure their continued relevance over time. For this to happen, the MIS budgets need to be uprated annually, usually revised in line with increasing costs over time and, every few years, revisited by groups to consider changing living standards. On top of this routine maintenance of

the MIS, there is a strong case for constructing new MIS budgets for households with particular additional needs and costs.

The JRF has previously commissioned investigations of the additional needs and costs of disabled people. This has included research about the additional costs for both families with disabled children (Dobson and Middleton, 1998) and disabled adults (Smith *et al.*, 2004). These studies highlighted the pervasiveness of additional costs across most aspects of disabled people's lives, including transport, household goods, food, clothes, holidays, etc. Because the full extent of these additional costs can be detected only through an informed, consensual consideration of each area of living expenses by people with direct experience of disability, the consensual approach to developing income standards proved to be essential. However, a limitation of these studies in terms of their usefulness for social policy was that there was not then a basic MIS for households generally. Without these basic budgets for comparison, it was not possible at the time to specify the separate *additional* costs for households with disabled people. As the current project provides this basic set of budgets for households generally, it has now become possible to determine the additional costs that need to be met in order that disabled people and their families are able to achieve a minimum acceptable lifestyle.

Probably the largest population to face particular routine additional costs are households without reasonable access to key services and opportunities. This refers mainly to rural households without regular public transport at times when it is required. A number of participants across the English groups, and participants in the rural Scottish and Welsh groups highlighted that many rural households face substantial additional costs. The largest single additional cost for many households is car ownership. While the basic MIS budgets allow for minimum transport needs to be met primarily by public transport, access to a private vehicle is likely to be a requisite of an acceptable minimum standard for many rural households. Petrol/diesel costs also need to be taken into account, with due consideration of the fact that additional transport costs are likely to be associated with a range of living costs, such as accessing employment, health care, social and cultural participation and main supermarkets (to avoid the higher costs of food at local shops). Our preliminary discussions within groups suggested that there may also be other additional costs, such as communication costs (telephone and internet). A detailed study of the additional costs of rural households would be valuable – not least in order to help measure the costs associated with constrained accessibility and so better assess the relative benefits of addressing those constraints.

### A new standard for a fairer Britain

This project means that, for the first time, there is a minimum income standard for Britain. In contrast to the nature of the Government's relative income poverty threshold, material deprivation measures and equivalence scales, this standard is based on detailed and robust information about the items and resources people need as a minimum in order to have a socially acceptable quality of life in Britain today. It has been developed through a process of blending expert advice and social consensus hammered out by 39 groups of participants – members of the public from a range of social backgrounds. Throughout this process, these groups have been focused on providing an income standard that meets needs, not wants. At the heart of the project is a commitment to the principle that those best placed to set minimum acceptable standards are those for whom those standards will apply.

The MIS is not perfect. For example, it cannot accommodate the range of human diversity in needs and expectations. As a national standard it does not create an acceptable living standard for *every* individual, but it does set a level that is socially unacceptable for *any* individual to live below. As such, alongside income thresholds and material deprivation measures, the MIS represents a new and important tool for informing social policy in order to promote fairness and well-being in Britain.

# Notes

## Chapter 1

1. Mack and Lansley (1985) argue that it is possible to associate income levels with levels of material deprivation. However, as a measure, material deprivation indices do not specify a relevant income threshold.

## Chapter 3

1. See, for example, [www.tesco.com/talkingtesco/lowPrices/](http://www.tesco.com/talkingtesco/lowPrices/); [www.offt.gov.uk/shared\\_offt/mergers\\_ea02/2005/gus.pdf](http://www.offt.gov.uk/shared_offt/mergers_ea02/2005/gus.pdf).
2. Tinuviel Software Company: [www.tinuvielssoftware.com](http://www.tinuvielssoftware.com). In essence, the foods consumed are broken down into their nutrient parts and measured against the optimum need of a particular body size, age and lifestyle. This technique was used to establish food costs in the Irish 'minimal essential' budget standard (MacMahon *et al.*, 2006).
3. The average weekly fuel use and cost were calculated using British Establishment Domestic Energy Model 12 (BREDEM).

## Chapter 4

1. Because at the time of writing we did not have the commodity price index to April 2008 we estimated movements in prices February to April 2008 by extrapolating from commodity price movements over the previous six months.
2. £200/52 per week.
3. For the couple with (one) school aged child. Assumed to be £1.90 per meal per child\*39 weeks/52.

## Chapter 5

1. See [www.oecd.org/dataoecd/61/52/35411111.pdf](http://www.oecd.org/dataoecd/61/52/35411111.pdf).

## Chapter 6

1. Present arrangements for uprating some benefits for children and pensioners by earnings, some other benefits by prices, and still others by the Rossi Index, have opened up large differentials in benefit levels that have no basis in judgements about relative needs and are unsustainable in the long term. There has also been a long-standing debate about poverty thresholds. The threshold based on 60 per cent of the median moves with median income. But other thresholds for child poverty such as the 60 per cent threshold fixed at a point in time, or the new child poverty measure of less than 70 per cent of the median and lacking certain necessities (DWP, 2007b), involve fixed thresholds of what goods and services can be bought at a 'poverty line', which inevitably will have to be revised from time to time.
2. This was partly because the Labour Government after 1999 made substantial real improvement in the child scale rates of Income Support and Child Benefit, and then introduced the Child Tax Credit, part of which was subsequently linked to movement in earnings. Pensioners on Income Support had real increases in their living standard with the introduction of the Minimum Income Guarantee and, again, when this was replaced by Pension Credit. Pension Credit was also linked to movements in earnings.

# References

Bradshaw, J. (ed.) (1993) *Budget Standards for the United Kingdom*. Aldershot: Avebury

Bradshaw, J. (2007) 'Some problems in the international comparison of child income poverty' in Wintersberger, H., Alanen, L., Olk, T. and Qvortrup, J. (eds) *Childhood, Generational Order and the Welfare State: Exploring Children's Society and Economic Welfare*. Vol. 1 of COST A19: Children's Welfare. University Press of Southern Denmark: Odense

Burniaux, J-M, Dang, T-T., Fore, D., Förster, M.F., Mira d'Ercole, M. and Oxley, H. (1998) 'Income Distribution and Poverty in Selected OECD Countries', OECD Economics Department Working Paper, No. 189, Paris <http://www.oecd.org/dataoecd/34/37/1864447.pdf>

Daycare Trust (2008) *Childcare Costs Survey 2008*. London: Daycare Trust

Deeming, C. (2005) 'Minimum income standards: how might budget standards be set for the UK?', *Journal of Social Policy*, Vol. 34, No. 4, pp. 1–18

Department of Health (1991) *Dietary Reference Values for Food Energy and Nutrients in the United Kingdom*. Report on Health and Social Subjects No. 41. London: HMSO

Dobson, B. and Middleton, S. (1998) *Paying to Care: The Cost of Childhood Disability*. York: Joseph Rowntree Foundation

DWP (Department for Work and Pensions) (2007a) *Households Below Average Income, 1994/95–2005/06 (Revised)*, [www.dwp.gov.uk/asd/hbai/hbai2006/contents.asp](http://www.dwp.gov.uk/asd/hbai/hbai2006/contents.asp)

DWP (Department for Work and Pensions) (2007b) *Measuring Child Poverty*, [www.dwp.gov.uk/ofa/related/final\\_conclusions.pdf](http://www.dwp.gov.uk/ofa/related/final_conclusions.pdf)

Fisher, G. (2007) *An Overview of Recent Work on Standard Budgets in the United States and Other Anglophone Countries*, <http://aspe.hhs.gov/poverty/papers/std-budgets/report.pdf>

Hagenaars, A., de Vos, K. and Zaidi, A. (1994) *Poverty Statistics in the Late 1980s*. Eurostat: Luxembourg

Hartfree, Y., Kellard, K., Adelman, L. and Middleton, S. (2001) *Budgetary Requirements for Disabled People in Jersey*. CRSP Working Paper 431. Loughborough: CRSP

McClements, L. (1978) *The Economics of Social Security*. London: Heinemann

Mack, J. and Lansley, S. (1985) *Poor Britain*. London: Allen and Unwin

MacMahon, B., Carey, J. and Stokes, A. (2006) *Minimum Essential Budgets for Six Households*. Dublin: The Vincentian Partnership for Social Justice

Middleton, S. (2001) *Budget Standards for Jersey: A Handbook*. CRSP Working Paper 444. Loughborough: CRSP

Middleton, S. and Roberts, S. (2004) *Issues for the Design of a New Minimum Income System for Jersey*. CRSP Working Paper 514. Loughborough: CRSP

Middleton, S., Ashworth, K. and Walker, R. (1994) *Family Fortunes: Pressures on Parents and Children in the 1990s*. London: CPAG

Middleton, S., Ashworth, K. and Braithwaite, I. (1997) *Small Fortunes: Spending on Children, Childhood Poverty and Parental Sacrifice*. York: Joseph Rowntree Foundation

Middleton, S., Maguire, S., Shropshire, S. and Kellard, K. (1998) *Household Budgetary Requirements in Jersey*. CRSP Working Paper 359. Loughborough: CRSP

Morris, J. and Deeming, C. (2004) 'Minimum incomes for healthy living (MIHL): next thrust in social policy?', *Policy and Politics*, Vol. 32, No. 4, pp. 441–54

Morris, J., Dangour, A., Deeming, C., Fletcher, A. and Wilkinson, P. (2005) *Minimum Income for Healthy Living: Older People*. London: Age Concern

Oldfield, N., Burr, S. and Parker, H. (ed.) (2001) 'Low cost but acceptable, a minimum income standard for the UK: Muslim families with young children – Tower Hamlets February 2001 prices', Family Budget Unit working paper, commissioned by Unison

ONS (Office for National Statistics) (2008) *Family Spending: 2007 Edition*. Cardiff: ONS

Parker, H. (ed.) (1998) *Low Cost but Acceptable: A Minimum Income Standard for the UK: Families with Young Children*. Bristol: Policy Press

Parker, H. (ed.) (2000) *Low Cost but Acceptable Incomes for Older People: A Minimum Income Standard for Households aged 65–74 years in the UK*. Bristol: Policy Press

Saunders, P., Patulny, R. and Lee, A. (2004) *Updating and Extending Indicative Budget Standards for Older Australians: Final Report*. SPRC Report 2/04. Australia: Social Policy Research Centre, University of New South Wales

Smith, N., Middleton, S., Ashton-Brooks, K., Cox, L. and Dobson, B. with Reith, L. (2004) *Disabled People's Costs of Living: More than You Would Think*. York: Joseph Rowntree Foundation

Stephens, R. (2000) 'The social impact of reform: poverty in Aotearoa/New Zealand', *Social Policy and Administration*, Vol. 34, No. 1, pp. 64–86

Sutherland, H., Evans, M., Hancock, R., Hills, J. and Zantomio, F. (2008) *The Impact of Benefit and Tax Up-rating on Incomes and Poverty*. York: Joseph Rowntree Foundation

Veit-Wilson, J. (1998) *Setting Adequacy Standards – How Governments Define Minimum Incomes*. Bristol: Policy Press

Waldegrave, C., Stuart, S. and Stephens, R. (1996) 'Participation in poverty research: drawing on the knowledge of low-income householders to establish an appropriate measure for monitoring social policy impacts', *Social Policy Journal of New Zealand*, Vol. 7, pp. 191–206

Watts, H.W. (1980) *New American Family Budget Standards. Report by the Expert Committee on Family Budget Revisions*. Madison, WI: University of Wisconsin



